

**INDUSTRIAL DEVELOPMENT BANK OF INDIA -
A CRITICAL APPRAISAL OF ITS WORKING AS AN
APEX INSTITUTION SINCE 1990 TO 2004**

*A Thesis Submitted
To the faculty of Commerce & Management
Bundelkhand University, Jhansi for the degree
Of Doctor of Philosophy in management*

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CERTIFICATE

Certified that the Ph.D thesis entitled "INDUSTRIAL DEVELOPMENT BANK OF INDIA - A CRITICAL APPRAISAL OF ITS WORKING AS AN APEX INSTITUTION SINCE 1990 TO 2004", submitted by Shipra Saxena for the degree of Ph.D in Management from Bundelkhand University, Jhansi is the candidate's own work which has been carried out under my guidance and supervision. She spent with me the time as required by the statutes of the University for the purpose of research and guidance. The thesis is her original contribution and is fit for submission for Ph.D degree in Management.

DATE 01. 11. 2004 .
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Date..... 1st Nov. 2004

Shipra Saxena
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PREFACE

With the advent of rapid industrialization there emerged the need industrial finance and to solve these Problems the financial institutes emerged. Beginning with the establishment of industrial finance corporation in 1948, a number of such institution have been establishment, more prominent among them being IDBI which is regarded as the Apex institution.

The IDBI was established on July 1, 1964 under the act of parliament, as the principal financial institution for industrial finance in the country. The basic objective of IDBI was to serve as the apex institution concerned directly or indirectly with the problems relating to industrial financing of the country. As a central coordinating agency, the bank also envisaged to adopt and enforce a system of priorities in promoting future industrial growth. Thus, the IDBI emerged to perform two important tasks (i) Co-ordinating and (ii) Industrial financing.

The motive behind the study is to see whether this apex institution has played and still playing the basic role and has fulfilled the required objective of its establishment. The central role of IDBI was conceived as one of the establishing appropriate working relationship among institutions, co-ordinating their activities and building a pattern of inter institutional cooperation to effectively meet the changing needs of the corporate sector. Whether, IDBI has functioned as a development agency with a special responsibility to fill up gaps in the industrial structure and to develop certain vital and strategic sectors like fertilizers, alloys and special needs and Petro-

chemicals. Above all, the aim is to derive conclusions regarding its promotional activities undertaken by the development Bank. Here the purpose is also to see the impact of assistance provided by IDBI and to evaluate its sanctions. It will also be observed whether the sanctions were materialized and disbursed, what difficulties and hindrances are being faced during their operations. In addition to this what more activities were undertaken during the period. The policies and schemes, which were framed during this period, could fulfill their objective successfully.

IDBI at present has a network of 5 zonal offices and 38 Branch Offices counting the length and breadth of the country. The subsidiaries setup by IDBI at present is three, which are wholly owned subsidiaries. In addition majority-holding subsidiaries are two and about twelve subsidiaries are others having less than 50% contribution to their initial capital.

In this present study - Industrial Development Bank of India "A critical appraisal of its working as an apex institution since 1990 to 2004." an effort has been made to evaluate the present position of IDBI and to analyze the operations and promotional activities of IDBI since 1990. A critical assessment with other financial institution has also been undertaken. However the thesis is arranged in all 9 chapters, the detailed arrangement is as under: -

- Chapter -1 Introduction.
- Chapter -2 Structural framework of IDBI.
- Chapter -3 Organization and management.
- Chapter -4 Financial Administration.

Chapter -5 Impact of Assistance provided by IDBI.

Chapter -6 Promotional Activities of IDBI

Chapter -7 other financial Institutions & IDBI.

Chapter -8 the future of IDBI.

Chapter -9 Conclusion & Suggestions.

. Besides, an overview of other financial Institutions has also been undertaken so as to analyze the operational activities and to examine critically it's working.

Keeping the perspective in view, the research methodology adopted for the research work is exploratory research design, the two methods of exploratory study have been concluded viz. literature surveys and experience surveys. In order to make the study more effective the researcher has done a comparative study of other financial institutions for in-depth critical appraisal.

In the end, the researcher hopes that she will be able to provide an in-depth original study, which will be an asset to the economic literature as well as to all financial institutions specially IDBI.

ABBREVIATIONS

A I F Is	All India Financial Institutions
A I D B s	All India Development Banks
A L M	Asset Liability Management
B I S	Bank of International Settlements
C D R	Corporate Debit Restructuring
C A R	Capital Adequacy Ratio
C R M G	Credit Risk Management Group
E C S	Electronic Clearing Service
E X I M	Export and Import Bank
F I s	Financial Institutions
G I C	General Insurance Corporation
I C A	Inter-Creditor Agreement
I T S L	Industrial Trusteeship Services Limited
I I B I	Industrial Investment Bank of India
I F C I	Industrial Finance Corporation of India
I C I C I	Industrial Credit & Investment Corporation of India
I C D	IDBI Corporate Deposit
L I C	Life Insurance Corporation
N P A s	Non Performing Assets
N A B A R D	National Bank for Agriculture and Rural Development
N E D F I	North Eastern Development Finance Corporation Ltd.
O T S	One Time Settlements
P B T	Profit Before Tax
P A T	Profit After Tax
R M C	Risk Management Committee
R C T C	Risk Capital and Technology Finance Corporation of India
S I D B I	Small Industries Development Bank of India
S T P I	Software Technology Park of India
S F C s	State Financial Corporations
S I D C s	State Industrial Development Corporations
T C O s	Technical Consultancy Organizations
T F C I	Tourism Finance Corporation of India
U T I	Unit Trust of India

ABBREVIATIONS USED

ADB	Asian Development Bank
AY	Assessment Year
BSE	The Stock Exchange,
CBDT	Central Board of Direct Taxes
CDSL	Central Depository Services Ltd.
CMD	Chairman & Managing Director, IDBI
CRISIL	Credit Rating Information Services of India Ltd.
DER	Debt Equity Ratio
DMD	Deputy Managing Director, IDBI
FII	Foreign Institutional Investor
FITCH	Fitch Ratings India Private Ltd.
FY	Financial Year
HUF	Hindu Undivided Family
IBRD	International Bank for Reconstruction and Development
ICRA	Investment Information and Credit Rating Agency
ICMS	IDBI Capital Market Services Ltd.
IDBI/ the Institution! the Bank	Industrial Development Bank of India
IDBI Principal	IDBI Principal Asset Management Co. Ltd.
ITAT	Income Tax Appellate Tribunal
MTLR	Minimum Term Lending Rate
MSTLR	Minimum Short Term Lending Rate
NDSCR	Notional Debt Service Coverage Ratio
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange of India Ltd.
OCBs	Overseas Corporate Bodies
RBI	Reserve Bank of India
SAT	Securities Appellate Tribunal
SEBI	Securities and Exchange Board of India
SIDBI	Small Industries Development Bank of India
SLR	Statutory Liquidity Ratio
SWIFT	Society for Worldwide Inter bank Financial Telecommunication
The Act	The IDBI Act, 1964
The Board	The Board of Directors of IDBI
TDS	Tax Deducted at Source
YTM	Yield to Maturity
YTP	Yield to Put

Tables and Charts

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CHAPTER – 1
IDBI- AN INTRODUCTION

INTRODUCTION

Industrial Development Bank of India (IDBI) was established in 1964 by the Government of India under an Act of Parliament, the Industrial Development Bank of India Act 1964. The functions and working of IDBI are governed by the IDBI Act. Initially IDBI was setup as a wholly-owned subsidiary of Reserve Bank of India to provide credit and other facilities for the development of the Industry. In 1976 the ownership of IDBI was transferred to the Government of India and it was entrusted with the additional responsibility of acting as the principal financial institution for co-ordinating the activities of the institutions engaged in the financing, promotion or development of industry.

In 1982 IDBI transferred its International Finance Division- which was providing export finance to industry to Export-Import Bank of India, which was established as a wholly owned corporation of the Government of India under the Export-Import Bank of India Act, 1982.

In 1990, IDBI's portfolio relating to the small scale industrial sector was transferred to the Small Industries Development Bank of India (SIDBI) which was established as a wholly-owned subsidiary of IDBI under the Small Industries Development Bank of India Act, 1989 (SIDBI Act, 1989).

IDBI being a statutory Organization is governed by the Industrial Development Act 1964. The functions and business of IDBI are regulated by the IDBI Act. In addition, IDBI being a financial institution is subject to regulatory supervision by RBI. The Reserve Bank of India Act, 1934 empowers RBI, inter alia, to call for certain information relating to the business of IDBI and give directions relating to the conduct of its business. RBI had set up a board of Financial supervision in 1995 under the chairmanship of the Governor of Reserve Bank of India*.

The general superintendence, direction and management of the affairs and business of IDBI is vested in the Board Of Directors which exercises all powers and does all acts and things which may be done by IDBI. The Board may direct that any power exercisable by it may also be exercisable by the Chairman, Managing Director. As per the IDBI Act 1964 the Board can have maximum 12 directors, consisting of a Chairman and a Managing Director appointed by the government of India**.

* Under the guidance of the Board For Financial supervision of Financial Supervision of the RBI supervises Financial Institutions and Commercial Banks, The department of Financial Supervision also undertakes off-site and on-site supervision over banks and financial institutions as part of such surveillance, The Reserve Bank Of India carries out periodical inspection of IDBI. It is clarified that the inspection report is strictly confidential and IDBI has replied all the points referred to by the RBI in its latest inspection report. The Reserve Bank Of India has been issuing detailed guidelines to Financial institutions on asset classification, income recognition and provisioning, Capital Adequacy, Asset Liability Management etc. from time to time. IDBI adheres to all such guidelines and submits necessary information to RBI as per the guidelines.

** A whole time Director appointed by the Government on the recommendations of the Board, two Government nominees, three directors having special knowledge/professional experience in diverse fields nominated by the Central Government and four directors elected by the shareholders other than the Government Of India.

IDBI has provided significant support in the development of the capital market through setting up of securities and exchange board of India, National Stock Exchange of India Limited, Credit Analysis And Research Limited, Stock Holding Corporation of India Limited, Investor Services of India Limited, National Securities Depositor Limited.

IDBI's Capital Markets Division has successfully executed a variety of assignments for reputed public as well as private sector companies. By virtue of being a leading financial institution, it has played a pioneering role in advisory services as well as being a leading arranger in the Indian market for project debt, having concluded some of the largest syndication transactions in the Indian market. In addition to that it has accessed the domestic retail market for the first time in 1992 with its deep discount bond, registered path breaking success.

In 1993, set up IDBI capital market services limited as a stock broking company. This consequent upon opening up of commercial banking to the private sector, set up IDBI bank limited in 1994. Subsequently in 1994, IDBI act amended to permit public ownership, which intended as an apex financial institution; a leader and chief coordinator for institutions at national and state levels. In July 1995, initial public offering of equity raised nearly Rs. 20 billion. The government stake reduced 72.14% which can be further reduced upon to 51 %.

In march 2000, IDBI set up Intech limited as a subsidiary to undertake I.T, related activities. In June 2000 a portion of Government holding converted to performance capital which was since redeemed in march 2001. Government stake now at 58.47 %. In august 2000, IDBI became the first All India Financial Institution to obtain ISO 9002:1994 Certification for its treasury operations. IDBI also obtained ISO 9001:2000 certifications from its Forex services and thus became the first organization in the Indian financial sector to do so. In march 2001 IDBI set up IDBI Trusteeship Services Limited under the companies act 1956 to provide technology driven information and professional services. ¹

¹.Source :- <http://www.idbi.com/profile2.html>

IDBI has its head office at Mumbai and has an all India presence through its branch network. It operates through a network of 5 Zonal offices, one each in Chennai, Guwahati, Kolkata, Mumbai and New Delhi. Besides, IDBI has 36 branch offices located in state capitals and major commercial centres in India.*

GROWTH AND EXPANSION:-

In the field of industrial finance the concept of development bank is of recent origin. In India it is a post independence phenomenon. In the Western countries, however development banking had a long period of evolution. In 1920, Japan established the industrial bank of Japan to cater to the financial needs of her industrial development. In the post - war era the industrial development bank of Canada (1944), The Finance Corporation Of Industry Limited and the Industrial and Commercial Finance Corporation of England(1945), etc., were established as modern development banks to provide term loans to industry. In 1966, the U.K. government set up the Industrial Reorganisation Corporation. In India the first development bank called the Industrial Finance Corporation of India was established in 1948. An institution called the National Industrial Development Corporation (NIDC) was established by the government of India in 1954 for the promotion and development of industries in India. In the beginning, it provided some finance to the jute and cotton textile industries. But primarily being a development agency, today it functions only as consulting agency. Development banks in India may be classified into three groups : (I) Industrial Development banks, (II) Agricultural development banks, and (III) Export – import Development bank.

Industrial Development banks may further be divided into two groups :
(a) All India Institutions, and (b) State Level Institutions.

* Money, Banking, International Trade and Public finance
By : D.M.Mithani (Himalaya Publishing House, Mumbai - 4) 2000.

The industrial development bank which was set up in July 1964 was given complete autonomy in February 1976. Today the IDBI is regarded as an apex institution in the arena of the development banking. The IFCI and UTI are the subsidiaries of the IDBI.

The IDBI Act was amended in October 1994 which permitted IDBI to raise equity from the public subject to the holding of the Government not falling below 51% of the issued capital. In July 1995, IDBI made its initial public offering of equity shares aggregating Rs. 2184 crore. Simultaneously, the Government also offered for sale a part of its holding of equity shares in the capital of IDBI aggregating Rs. 187.5 crore (including premium Rs. 120 per share) to the Indian public.

On completion of the allotment of the shares offered to the public, the Government's shareholding in IDBI reduced to 72.14%. The Government's share holding has further come down to 57.76% with effect from June 5, 2000 as the Government of India converted 24.7 crore equity shares (out of its holding of 48.6 crore equity shares) into 24.70 crore fully paid preference shares of Rs. 10 each (equivalent to Rs. 247 crore) redeemable within 3 years and carrying dividend @ 13% p.a. The preference shares have since been redeemed . On August 25, 2000 18,074,300 partly paid up equity shares of face value of Rs. 10 each were forfeited and aggregate face value of Rs. 180,743,000 has been reduced from subscribed and paid-up equity capital. On account of this Government's shareholding has gone up to 58.5% with effect from August 25, 2000.**

* Industrial Development Bank of India-Annual Report 2000-2001

** IDBI offered document FLEXIBONDS 13- March-April 2002.

IDBI Tower, WTC complex, Cuffe Parade, Mumbai-400005.

IDBI has made its bonus issue in March 2001 in the ratio of three bonus shares for every 5 held. Accordingly, Government of India has been allotted 1,431,48,000 bonus shares. However the shareholding of GOI remains at 58.5% only.

ROLE AND IMPORTANCE:-

The role of IDBI was conceived as one of establishing appropriate working relationship among institutions, co-ordinating their activities and building a pattern of inter-institutional co-operation to effectively meet the changing need of the corporate sector. IDBI's developmental activities have included a range of promotional services to build an institutional structure for entrepreneurship development, credit delivery, & capital market development.

IDBI has also been designed to function as a development agency with a special responsibility to fill up the gaps in the industrial structure and to develop certain vital and strategic sectors like fertilizers, alloys and special needs and petrochemicals. As an apex Development Bank, IDBI acts as the leader among all the Development Banks of the country and charged with the responsibility of planning, promoting, developing and financing industries on its own and to guide, co-ordinate and supplement the activities of other Development Banks.

INSTITUTIONAL DEVELOPMENT :-

IDBI has been playing a major role in sponsoring/supporting several institutions for the development of an effective institutional structure for financing Indian industry. The major institutions that have been sponsored are the Export - Import Bank of India, Industrial Investment Bank Of India Ltd., ICICI and Tourism Finance Corporation Of India Ltd.. In addition, IDBI, as the nodal agency, promoted the North-Eastern Development Finance Corporation Ltd. for catering to the Finance and development needs of the North-Eastern region of India.

IDBI is also one of the promoters of Infrastructure Development Finance Company Ltd. (IDFC) which has special focus on providing finance and guarantee products to infrastructure projects.

CAPITAL MARKETS DEVELOPMENT :-

IDBI is also playing a major role in the development of Indian Capital Markets. It played a key role in the formation of Securities and Exchange Board of India (SEBI) for effective regulation of the capital markets. It sponsored National Stock Exchange of India Ltd., which first introduced electronic trading in securities in India. IDBI has also sponsored/supported the formation of Stock Holding Corporation of India Ltd., Credit Analyses and Research Ltd., Investor Services of India Ltd., and OTC Exchange of India Ltd. Besides, IDBI has promoted the National Securities Depository Ltd. in association with UTI and NSE.

POLICY AND PROFITABILITY

The working of IDBI during the year 1999 – 2000 yielded a profit before tax of Rs. 1027 crore as against Rs. 1300.7 crore in the previous year. After providing for tax of Rs. 80 crore, the profit after tax amounted to Rs. 947 crore as against Rs. 1258.9 crore in 1998 – 99. The Directors recommended a dividend of 45 % on equity share capital for the year-1999 – 2000. The bank's working during the year 2002 – 03 resulted in a profit before tax of Rs. 455.61 crore as against 414.91 crore in the previous year. After making a provision of Rs. 92.36 crore towards taxation for the year - end taking deferred tax credit amounting to Rs. 38.16 crore, the profit after tax amounted to Rs. 401.41 crore, as against Rs. 424.28 crore in 2001 – 02. The Board of Directors has recommended dividend at 15% on Equity share capital for the year 2002 – 03¹.

ECONOMIC ENVIRONMENT

Indian economy witnessed signs of industrial recovery during 2002 – 03, though overall growth remained subdued. Growth in gross domestic product (GDP) has been estimated at 4.3 % in 2002 – 03 as compared to 5.6 % growth recorded in

¹ Annual report IDBI – 2002 – 03

PRESENT POSITION

IDBI financed and nurtured Indian industry through its infancy to develop a robust industrial and financial structure in the country. IDBI's strategic objective is to position itself as India's premier wholesale bank through a full range of wholesale products lending, capital markets, advisory and risk management – through an integrated group structure.

It has a well-diversified wholesale resource base, which includes banks, public sector undertaking, corporate, provident funds/pension funds, trusts and multilateral institutions. Considering the importance of the retail segment, efforts are made to ensure regular presence in the market for retail investors through public offering of bonds at periodical intervals throughout the year. To meet its foreign currency resource requirement, IDBI has been making periodic forays in international financial markets and has raised substantial resources through syndicated loans and floating rate bonds.

IDBI has a network of five Zonal Offices and 38 Branch Offices covering the length and breadth of the country.

Internal Audit: -

The Bank has a full-fledged Internal Audit Department (IAD) at Head Office (HO) directly reporting to Chairman & Managing Director. IAD takes up operational audit of HO departments and Branch Offices (BOs) in addition to undertaking financial audit of relevant HO departments. Zonal Audit Cells (ZACs) undertake financial audit of BOs and operational audit of satellite branch offices. ZACs report to IAD at HO on operational matters and submit their reports to IAD

Apart from ensuring that the HO departments and Branch Offices carry on operations in accordance with the policies and procedures laid down, audit reports also throw up suggestions for streamlining the operations and making suitable modifications in the procedures, as may be warranted from time to time.

Vigilance Mechanism:

A full-fledged Vigilance Department was established in February 1994. The Department continued to operate as a channel for providing inputs to the Top Management for carrying out investigation into vigilance related complaints and to suggest corrective measures for improving the control systems and compliance with laid down procedures.

In addition, the vigilance activities also included preventive vigilance exercises, maintaining close liaison with various Central/State Government Agencies/RBI/Central Bureau of Investigation (CBI)/Bank Securities and Fraud Cell/Other related agencies and sharing of vigilance related data, co-coordinating enquiries conducted by the investigating agencies, and organising training programmes on preventive vigilance for creating awareness among officials of the Bank in these areas.

Vigilance Awareness Week was observed during October 31- November 6, 2002 to educate the employees about dangers of corruption and sensitise them about the evils of corruption. Vigilance Awareness Week was also observed in the Zonal / Branch Offices.

In accordance with the guidelines laid down by the Central Government for progressive use of Hindi in official work, further steps were taken during the year to implement various provisions of the official languages Act and Rules and increase the use of Hindi in the Bank's day to day working.

Manpower and Recruitment

During 2002-03 the Bank recruited 31 employees comprising 22 officers, one clerical staff and eight sub-staff. Out of the sub-staff, three were from the Scheduled Castes (SC), comprising 37.5% of the sub staff recruited and 9.7% of the total recruitment.

Consequently, as on March 31, 2003, the Bank had on its rolls 2845 employees, comprising 1405 the Bank had on its rolls 2845 employees, comprising 1405 officers (including

Professionals in accountancy, management, engineering, law, computers and banking, as well as economists), 839 clerical staff and 601 sub-staff. Of these, the number of SC, Scheduled Tribes (ST) and OBC employees stood at 223, 60 and 51 respectively.

In the officer cadre, 150, 59 and 56 among clerical staff, and 208, 52 and 13 among sub-staff. Besides, there were 84 ex-servicemen and 50 physically handicapped persons in the employment of the Bank as on March 31, 2003.

During the year, the Bank organized 100 in-house training programs covering 1849 officers and other staff members. In addition to these programs, 239 officers were nominated to training programs held by other institutes/training organisations in India and 12 were nominated for training programmes abroad. Out of the 100 programmes conducted, 49 programmes, covering 1148 officers were on topics such as Project Follow-up and Monitoring, NPA Management, Management of Working Capital, Derivatives, Risk Management etc.

New Programs on Retail Financing, Banking Operations and Commercial Banking were conducted at the Bank's training institute viz. Jawaharlal Nehru Institute for Development Banking (JNIDB). Training Programmes on (Negotiating Skills for officer were conducted at Jaipur Chandigarh, Bangalore and Chennai Branch Offices which were attended by all the officers in these offices.

Programs numbering 22 were conducted covering 356 Class III staff members, of which ten were conducted at Zonal and Branch Offices. The Class II staff members were exposed to several areas such as Customer Care; Investor Management & Communication Skills were conducted for 87 Class IV staff members at H.O.

A total number of 16 computer-based programmes were conducted at H.O. Covering 84 officers and 61 Class III staff members. Eight Hindi Karyashalas were conducted at HO covering 64 officers and 49 class III staff members.

IDBI earnings at Rs 47 crore

The Industrial Development Bank of India (IDBI) has recorded an 18 per cent gain in net profit for the quarter ended December 31, 2003 at Rs 47 crore compared with Rs 40 crore in same period previous fiscal year.

Total income stood at Rs 1,665 crore compared with Rs 1,824 crore in the year-ago period.

In April-December, total income stood at Rs 5,006 crore. Net profit during the period was up 16 per cent at Rs 223 crore over Rs 193 crore in the same period of the previous year.

IDBI said it made provisions for bad and doubtful debts/investments to the tune of Rs 925 crore, up 40 per cent from Rs 660 crore in 2002-03. IDBI's aggregate sanctions in the nine-month period stood at Rs 4,409 crore, an increase of around 230 per cent from last year's levels. Similarly, disbursements at Rs 3,347 crore were up 74 per cent over disbursement volumes in the year-ago period.

Sanctions and disbursements to the infrastructure sector were up 362 per cent and 108 per cent, respectively.

The institution said visibly improved investment sentiments and business confidence spanning most sectors should herald a pronounced pick-up in industrial investment. This, it added, is "borne out by the spurt, albeit somewhat back-loaded, in institutional sanctions during the current financial year to December 2003".

It expressed that the vitality in economic performance, the revival in fortunes of old economy sectors like cement, steel and the re-establishment of a conducive investment climate would positively influence its working and quality of its portfolio during the current fiscal.

Report on Development Banking in India (Volume I): 2002-03

AIFI Sanctions aggregate Rs. 36,290 crore

Disbursements amount to Rs. 30,718 crore

The **Industrial Development Bank of India (IDBI)** has published its (twenty-fourth) **Report on Development Banking in India (DBR)** for the financial year 2002-03. With a view to optimizing its usefulness, the Report for the financial year 2002-03 is being brought out in two volumes. Volume I is dedicated solely to the operational and financial performance of **All-India Financial Institutions (AIFIs)**. The **State-level Institutions (primarily SFCs and SIDCs)**, which are much larger in number as compared to AIFIs and in respect of which data assimilation and processing takes a little more time, would be subsequently captured in Volume II of the Report.

The present Report (Volume I) analyses the operational and financial performance of AIFIs, comprising **All-India Development Banks** or AIDBs (IDBI, IFCI, ICICI, IIBI, IDFC and SIDBI), **Specialised Financial Institutions** or SFIs (Exim Bank and NABARD) and **Investment Institutions** (LIC, GIC, NIC, NIA, OIC and UII, apart from UTI) for the financial year 2002-03. The Report also highlights the operations of various other

institutions such as IVCF, ICICI Venture and TFCI, which also have a bearing on the industrial development in the country.

During 2002-03, financial assistance sanctioned and disbursed by AIFIs aggregated Rs.36,290 crore and Rs. 30,718 crore, respectively; the corresponding figures for 2001-02 stood at Rs.79,687 crore and Rs.63,890 crore, respectively.

However, data for 2001-02 and 2002-03 are not strictly comparable as ICICI Ltd ceased to operate as a DFI from the beginning of the financial year 2002-03. As such, exclusion of its operational data for 2001-02 provides for a more meaningful analysis of AIFI operations during 2002-03 (relative to the previous year).

On this premise, sanctions and disbursements by AIFIs during 2001-02 amount to Rs.43,458 crore and Rs.38,059 crore respectively. Using these base-year figures, sanctions and disbursements by these institutions during 2002-03 witnessed a decline of 16.5% and 19.3% respectively from previous year levels. These reflect an improvement over the extent of decline in operational volumes witnessed in 2001-02 from their corresponding 2000-01 levels viz. 33.1% and 16.5%, respectively.

Cumulative sanctions and disbursements by these Institutions, as at end-March 2003, stood at Rs.8,50,222 crore and

Rs.6,15,011 crore, respectively.

The languid pace of overall economic activity in general and, in particular, a somewhat placid industrial investment climate, leading to a significant fall in investment decisions, contributed in varying degree to a decline in overall business volumes of AIFIs for the second consecutive year.

The increase in industrial production during the year under reference resulted mainly from fuller utilisation of existing capacity; demand for project finance, particularly from the traditional industries and infrastructure sector constituents, continued to taper.

At disaggregated levels (all comparisons exclude ICICI Ltd's data for the year 2001-02), AIDBs' sanctions and disbursements declined by 29.8% and 29.5% respectively, during 2002-03, following a decline of 32.5% and 27.7% recorded under these heads in the immediately preceding financial year.

Investment Institutions recorded a more moderate decline of 35.3% in sanctions in FY 2002-03 compared to the steep decline of 50.6% registered during FY 2001-02. Disbursements by Investment Institutions, however, contracted more sharply by 32.2% in 2002-03 compared to a decline of 9.1% observed during 2001-02. Sanctions by SFIs bucked the trend by registering an

increase of 64.3% during the year under review over and above a growth of 75.9% achieved in the previous year. Disbursements of SFIs demonstrated similar buoyancy, increasing by 43.3%, following a growth of 65.6% recorded in 2001-02.

AIDBs as a group accounted for the bulk of both sanctions: 53.3% (63.4% in 2001-02) and disbursements: 47.4% (54.2%) effected by AIFIs during 2002-03. The share of SFIs in total sanctions and disbursements during the year moved up to 30.2% (15.4%) and 26.9% (15.2%) respectively, while that of Investment Institutions fell to 16.5% (21.3%) and 25.7% (30.6%) respectively.

AIFIs' sanctions and disbursements under **project finance** declined less sharply during 2002-03- by 32.1% and 24.1% to Rs. 8067 crore and Rs. 6086 crore respectively- as compared to declines of 40.1% in sanctions (Rs. 11,882 crore) and 23.3% in disbursements (Rs. 8016 crore) suffered during 2001-02.

Assistance sanctioned and disbursed by AIFIs under **non-project finance**, in contrast, recorded much sharper decline, of the order of 34.4% and 37.2%, respectively, in 2002-03 than they had in 2001-02, when they fell by 33.2% and 16.5%, respectively.

During 2002-03, two **industry groups** viz. infrastructure (Rs 4999 crore) and services (Rs. 4536 crore) accounted for nearly half of AIFIs' sanctions, though these fell short of assistance extended to these sectors in 2001-02. The other industries that accounted for sizeable sanctions during 2002-03 were chemicals & chemical products (Rs. 1473 crore), refineries & oil exploration (Rs. 1430 crore) and basic metals (Rs. 1131 crore), which were higher by 60.1%, 32% and 7.3%, respectively from levels obtaining in the previous year.

Seven States accounted for nearly 78.5% of total sanctions affected by AIFIs during the year. These comprised Maharashtra (Rs. 8689 crore, 30.2%), Delhi (Rs. 4560 crore, 15.9%), Tamil Nadu (Rs. 2416 crore, 8.4%), Gujarat (Rs. 1929 crore, 6.7%), Karnataka (Rs. 1879 crore, 6.5%), A.P.(Rs. 1843 crore, 6.4%) and West Bengal (Rs. 1251 crore, 4.4%).

Bulk of AIFIs' sanctions during 2002-03 was accounted for by the private sector: 74.3% (66.7%), followed by public sector: 22.7% (29.7%), joint sector: 0.9% (1.7%) and co-operative sector: 0.9% (0.3%).

There is measured optimism that the observed vitality in economic performance and business sentiment indicators and, by

extension, the investment climate would translate into an improvement in business volumes and asset quality for most of the AIFIs during 2003-04 as compared to the previous year. However, the traditional business model of Development Financial Institutions (DFIs), which thrived in a more conducive operating environment spawned by development strategies of an earlier era, has come under considerable strain following adoption of the new development paradigms.

In fact, as competition from commercial banks and disinter mediation pressures intensify and as these institutions are faced with grossly inadequate access to low-cost retail deposits of meaningful volumes, the current business model of DFIs is becoming increasingly unsustainable.

In such a scenario, as a considered response, several DFIs have either forayed [beginning with ICICI, effective May 2002] into full-service banking or are gearing up to migrate to an acceptable and profitable variant of commercial banking to gain a lasting foothold in the emerging financial system.

IDBI too has formalized its road map in this regard with the support and advice of the Government of India and is currently awaiting Parliament's approval for achieving corporate status, preparatory to its conversion into a commercial bank.

CHAPTER 2
STRUCTURAL DEVELOPMENT OF
IDBI

The role of IDBI was conceived, as one of establishing, appropriate working, relationship among institutions, coordinating their activities and building a pattern of inter-institutional cooperation to effectively meet the challenging needs of the corporate sector.

IDBI has also been designed to function as a development agency with a special responsibility to fill up the gap in the industrial structure and to develop certain vital and strategic sectors like fertilizers, alloys and special needs and petrochemicals. As an apex development bank, IDBI acts as the leader among all the development banks of the country and charged with the responsibility of planning, promoting, developing and financing industries on its own and to guide, co-ordinate and supplement the activities of other development banks. In brief, in view of the pivotal position of the IDBI, its role with regard to the supply of term finance can appropriately be said to be akin to that of the RBI in the field of short term finance. In other words the IDBI occupies more or less the same position in the field of development banking, as is occupied by the RBI in the field of commercial banking.

OBJECTIVES OF IDBI

The principal objective of IDBI is to serve as the apex institution concerned directly or indirectly, with the problems and questions relating to industrial financing of the country. It also aims to eliminate the gaps between demand and supply of funds by providing medium and long-term financing facilities. As a central co-ordinating agency, the bank is also envisaged to adopt and enforce a system of priorities in promoting future industrial growth. Thus, the IDBI emerged to perform two important tasks such as (1) co-ordinating and (2) industrial financing.

As a co-ordinator, the Bank would co-ordinate the functions and operations of all the miniature financial institutions into a single integrated financial structure so that each might contribute to the total effect. As an industrial financier the Bank would assist all deserving projects regardless of their size which are experiencing enormous problems in assembling funds from normal channels.

Apart from the aforesaid development objectives, the IDBI is also expected to discharge some important social obligations being a public financial institution.

In pursuance of its objectives, the IDBI performs the following: -

1.) *Provision of assistance: -*

IDBI provides financial assistance to all types of industries directly or indirectly, irrespective of the form of organization or size of the unit. Also, there are no restrictions on the nature and type of security and quantum of assistance, which the bank may provide.

2.) *Direct financing:-*

IDBI provides financial assistance directly to 'Industrial Concerns. As a matter of policy IDBI provides direct financial assistance for viable projects for viable projects which are in conformity with national priority laid down by the government of India. Generally, priority is according to projects located in centrally

declared backward areas, to the development of infrastructural facilities, that significantly to direct and indirect employment generation, that are export oriented and those relating to rural and agricultural development. Assistance is provided to the companies registered under the companies act. In the public, private, joint sector and also to societies organized in the cooperative sector. There is no limit on the amount of assistance. However exposure to a single company does not exceed 25 percent of paid – up capital and free reserves of IDBI.

3.) *Indirect financing:-*

IDBI provides indirect term finance to industrial concerns¹ through refinancing of loans granted by primary lending institutions such as SFCs, SIDCs, and banks discounting and rediscounting of bills and subscribing to the shares and bonds of eligible institutions engaged in providing term finance for industry. IDBI also provides resource support to institutions under its refinance scheme, depending on the debt-equity ratio and financial position of the institution. IDBI also contributes to the share capital on matching basis with the concerned state government.

4.) *Promotion of industrial and entrepreneurial activities:-*

In order to fill the gaps in the country's industrial structure, IDBI is charged with the responsibility of planning promoting and developing industries. It is another important function of IDBI to take the form of promotional and entrepreneurial activities of industries, which distinguish it from the traditional financing function.

5.) *Technical and administrative assistance:-*

IDBI also provides technical and administrative assistance to industries for their promotion, management or expansion, undertaking market and investment research, conducting surveys and carrying out techno-economic studies. As an apex development bank IDBI is engaged in variety of activities. These include area surveys, to assess the industrial potential, identification and development of project ideas and prospective entrepreneurs. Besides this formulation, appraisal, and

¹ Defined under section 2(c) of IDBI Act

implementation of projects, tendering technical and managerial advice, promoting balanced regional development and the development of priority sectors, assisting new and technical entrepreneurs, rehabilitation and modernization of sick units are also undertaken.

6.) *Coordinating financial institutions:-*

According to the IDBI act, IDBI has to coordinate the working of institutions engaged in financing, promoting or developing industries and assisting in the development of such institution ¹. IDBI designs common loan application form for all institutions and insists on uniform method for collecting and processing of data inclusive of standard loan agreement formats. Appraisal and supervision of the projects assisted on consortium basis are also being coordinated by the IDBI in order to avoid delay and duplication of efforts.

7.) *Follow up and monitoring:-*

Follow up and monitoring of the assisted projects are carried out by the IDBI at the head office, regional office, and branch office. Quarterly project reports are obtained from assisted concerns to see whether the physical and financial progress is made at the time of appraisal. In case of large projects, mid term review is made, with particular reference to the estimated project cost and time schedule. Half-yearly reports are called for after the projects go into productions. These reports are examined to verify whether the operational performance is up to mark. If there are any problems that could be identified, efforts are made to resolve them as expeditiously as possible. Similarly follow up visits are undertaken normally once in a year, after the projects go into production.

Since, the project reports furnished by the assisted concerns might not be reflecting the causes of sickness of units, the apex institution reviews the system of monitoring and follow up to ensure timely detection of problems in order to prevent the assisted units from turning sick.

¹ The coordination work is being done through the forum of inter institutional meetings (IIMS) of the heads of all financial institutions and investment institutions as also through fortnightly meetings of the senior executives under the leadership of the IDBI. IDBI performs the apex role through IIMS in case of very large projects and through senior executive meeting in other cases, to ensure that project proposals taken up conform to national priorities and objectives for institutional support.

FUNCTIONS OF IDBI:

The IDBI is the leader, co-ordinator and innovator in the field of industrial finance in the country. It's major activity is confined to financing, developmental, co-ordination and promotional functions*. With the passing of the IDBI (Amendment) Act, 1986, The IDBI has been empowered to provide assistance to diverse range of industrial activities including the activities of services sector of the industries like informatics, health care, storage and distribution of energy and other services contributing to value addition. The scope of the business of IDBI has also been extended** to cover consulting, merchant-banking and trusteeship activities. IDBI offers direct discounting of bills for selling machinery/equipment also.

As a Development Bank, IDBI has financed and nurtured Indian Industry through its infancy to fulfil the national dream of a robust Industrial and financial structure in the country.

* The main functions of the IDBI may be stated as follows

1. Planning, promoting and developing industries with a view to fill the gaps in the industrial structure by conceiving preparing and floating new projects.
2. Providing technical and administrative assistance for promotion, management and expansion of industry.
3. Providing refinancing facilities to the IFCI, SFCs and other financial institutions approved by the Government.
4. Co-ordinating the activities of financial institutions for the promotion and development of industries.
5. Purchasing or underwriting shares and debentures of industrial concerns.
6. Guaranteeing deferred payments due from industrial concerns and for loans raised by them.
7. Undertaking market and investment research, surveys and techno-economic studies helpful to the development of industries.

** Forex services, debenture trusteeship and merchant banking services are undertaken by IDBI. In addition to this equipment finance, asset credit, working capital loan, corporate loan, film financing, direct discounting, equipment lease, venture capital fund, refinance, project finance, bills rediscounting, technology upgradation funds scheme and rehabilitation finance are the products of IDBI..... Source-- <http://www.idbi.com/index.html>.

The Main Source of revenue of IDBI is through issue of flexibonds

While issuing flexibonds the IDBI circulates “declarations” before investors " The rating is not a recommendation to buy, sell or hold securities and Investors should take their own decisions. The rating may be subject to revision or withdrawal at any time by the assigning rating agency on the basis of new information and each rating should be evaluated independently of any other rating".

The bonds offered are unsecured in nature. Further, Flexibonds is only a brand name (registered trademark applied for) and it does not indicate any additional flexibility features.

General Risks:

Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, the investor must rely on his/her own examination of the issuer and the issue including the risks involved. The Bonds have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this document.

Issuer's Absolute Responsibility:

The issuer's having made all reasonable inquiries, accepts responsibility for, and confirms that this offer document contains all information with regard to the issuer's and the issue, which is material in the context of the issue, that the information contained in the offer document is

true and correct in all material aspect and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Listing:

Applications have been made to the Stock Exchange, Mumbai and the National Stock Exchange of India Ltd. for permission to deal in and for official quotation of the Bonds. The Stock Exchange Mumbai and the National Stock Exchange have given their in principle approvals vide their letters dated September 13, 2002 and September 5, 2002 respectively.

Additional Disclosures/Declaration:

The Lead Manager to the captioned issue, SBI Capital Markets Ltd. had filed at draft umbrella offer document for IDBI Public issue of Unsecured Bonds (IDBI Flexibonds Series 2002-2003) aggregating Rs. 3,000 crore to be raised in one or more tranches. SEBI's observation letter dated September 19, 2002 on the umbrella offer document has been received. The various tranches of the issue shall open for subscription within a period of 365 days from the date of the observation letter stated above. This is the fourth trench for raising an amount of Rs. 350 crore with an option to retain over subscription up to Rs. 350 crore through a public issue of unsecured bonds issue in the form of promissory notes.

➤ Investment in India - Industrial Development Bank of India

Industrial Development Bank of India provides financial assistance for the establishment of new projects as well as for expansion, diversification, modernization and technology up gradation of existing industrial enterprises.

IDBI is vested with the responsibility of co-ordinating the working of institutions engaged in financing, promoting and developing industries. It has evolved an appropriate mechanism for this purpose. IDBI also undertakes/supports wide-ranging promotional activities including entrepreneurship development programs for new entrepreneurs, provision of consultancy services for small and medium enterprises, up gradation of technology and programs for economic upbringing of the underprivileged.

➤ IDBI's role as a catalyst

IDBI's role as a catalyst to industrial development encompasses a wide spectrum of activities. IDBI can finance all types of industrial concerns covered under the provisions of the IDBI Act. With over three decades of service to the Indian industry, IDBI has grown substantially in terms of size of operations and portfolio.

Electronic Clearing Service for Payment of Interest

Reserve Bank of India has introduced the concept of Electronic Clearing Services (ECS) through the clearing - house to obviate the need for issuing and handling paper instruments and thereby facilitate improved customer service. This facility would be available in cities where RBI provides such facility.

As per the guidelines issued by RBI in this regard, the investor is required to give his mandate for ECS with all the details. This will help IDBI to credit the interest amount to investor's account with the concerned bank at the earliest.

The investor will also have the convenience of direct credit to their bank account without the need to receive interest warrants by post and deposit the same in their bank accounts. The bank branch will credit the investor's account and indicate the credit entry with ECS in the passbook/statement of account.

Investors who have not opted for ECS will be sent interest warrants by post.

Listing:

IDBI shall complete all the formalities relating to the listing of the bonds within seventy days from the date of closure of each tranche/issue. If the permissions to deal in and for an official quotation of bonds are not granted by any of the Stock Exchanges, IDBI should forthwith repay, without interest, all such moneys received from the applicants in pursuance of this offer document.

If such money is not repaid within eight days after the Bank becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closing of the subscription list, whichever is earlier), then the Bank will be liable to repay the money, with interest, as prescribed under applicable regulations.

Nature of Instruments:

The Bonds will be unsecured and issued in the form of promissory notes. The Bonds shall rank *pari passu*, *inter se*, and subject to any obligations preferred by mandatory provisions of the law prevailing from time to time shall also, as regards repayment of principal and payment of interest, rank *pari passu* with all other unsecured insubordinate borrowings of IDBI.

These Bonds will rank superior to all the existing and future unsecured subordinated borrowings of IDBI.

Tax Deduction at Source:

As per the prevailing income tax laws [as applicable for FY 2002-03]:

- (a) In case of payment of interest to a bondholder who is an individual, tax is required to be deducted @ 10.50% (inclusive of surcharge) where the interest payment in the aggregate, during the financial year exceeds Rs. 2,500.
- (b) In the case of payment of interest to entities other than individuals, tax is required to be deducted at source @ 10.50% (inclusive of surcharge) except in the case of domestic company where the tax is to be deducted @ 21% (inclusive of surcharge).

Such a declaration for the financial year 2002-03 may be attached to the Application Form. For subsequent years, the investor will have to submit the prescribed Form 15H/15AA every financial year (April - March) to the Registrars separately.

IDBI Principal Balanced Fund: Hold Edited by S. Krishnamurthy

GIVEN the encouraging performance of IDBI Principal Balanced Fund in the last 12 months, investors can stay with the fund. However, fresh investments may be contemplated after a fresh evaluation of performance.

Further evaluation is necessary in the backdrop of its tilt towards equity and the consistent presence of a high level of cash in its portfolio. How the fund invests this cash proportion would determine its risk profile. In addition, performance in the last three months has been below par. In this backdrop, fresh investments need not be contemplated now.

Suitability: The absence of a constant mix approach to managing the fund suggests that the asset allocation strategy is based on the manager's outlook for the equity market. This could increase the volatility of the NAV over a shorter time frame.

Review: IDBI Principal Balanced Fund is a relatively smaller balanced fund with net assets under management of just under Rs 14 crore. There is evidence of minor redemption outflow from the fund during the last 12 months.

The fund has, however, done quite well in the last 12 months. At a time when the leading indices recorded declines, the fund recorded returns of around 15 per cent. This is encouraging, given the substantial equity investment. However, two factors need to be considered:

The equity proportion has stayed beyond 60 per cent for more than six months now. The cash position has generally been maintained at considerably higher levels

The significance of these two factors may not be totally favourable. The implication is that the fund manager favours allocation to equity based on the fund's view on the market.

If such active calls on market movements fail, the fund's performance can falter. In India, most of the balanced funds that have adopted such tactical asset allocation strategies have failed to do well.

Alternatively, the high cash position could be a temporary phenomenon and may finally be invested in the debt segment. This remains to be seen over the next few months.

In terms of equity investments, the fund has been overweight on consumer goods stocks and underweight in almost all other major sectors.

On an overall basis, this strategy has paid off. It helped the performance, especially until August 2002. In contrast, in the last part of the financial year, the sectoral preferences have largely backfired. The fund's substantial underweight position in IT stocks relative to the indices has led to considerable under-performance in the last three months.

In terms of stock selection, the fund was one of the early movers into PSU and mid-cap stocks such as BPCL, BHEL, Container Corporation, Blue Dart, SBI and I-flex Solutions. This would have helped the fund generate superior performance in the earlier part of the year.

Investments in stocks such as Asian Paints, Bajaj Auto and Telco would have helped in the later part of the year but not to the extent of keeping pace with the market.

The fund has preferred to allocate less to debt than most balanced funds. The performance may have suffered because of this as, last year, debt investments generated reasonable returns. Though its smaller size does not allow active debt management, the fund is now exposed to three sectors — corporate debt, securitised debt and government securities. This is encouraging from a longer-term perspective.

Overall, the performance is good enough for investors to stay on now. However, further evaluation over the next six months may be necessary to consider adding to exposures.

PERFORMANCE OF IDBI DURING 2002-03

Profit before tax spurts by 64% and profit after tax moves up by 15% to Rs.209 crore as per quarterly results.

PERFORMANCE OF IDBI DURING THE WHOLE YEAR HAS BEEN AS UNDER

Sanctions: Rs. 2950 crore, Disbursements: Rs. 3892 crore, Profit Before Tax spurts by 10%, Profit After Tax clocks Rs.401 crore, Dividend recommended 15%

The financial results of Industrial Development Bank of India (IDBI) for the fourth quarter/ full-year ended March 31, 2003 were approved by its Board of Directors at their meeting held in New Delhi on May 7, 2003.

Financial Performance

a. January-March 2003 quarter

The Bank's operations during the reporting quarter (January-March 2003) resulted in Profit before Provisions, Depreciation and Tax of Rs.761 crore as against Rs.347 crore achieved during the corresponding quarter of the previous financial year, implying a growth of 119%. This also represents a rise of 142% over the immediately preceding quarter (October-December 2002) level of Rs.315 crore. Profit before Tax (PBT) amounted to Rs.267 crore. After making a provision of Rs.74 crore towards taxation for the quarter and adding back deferred tax credit amounting to Rs.16

crore, Profit After Tax (PAT) amounts to Rs.209 crore. At this level, PAT for the quarter is higher by 15% than in the corresponding period of FY 2002 (Rs.182 crore] and is also the highest quarterly PAT recorded during FY 2002-03.

Total income during the current quarter at Rs.1902 crore was nearly 1% higher than Rs.1891 crore earned in the comparable quarter of the previous financial year. As a result of concerted efforts, IDBI was successful in compressing total expenditure during this period to Rs.1142 crore, reflecting a saving of Rs.402 crore from January-March 2002 levels [Rs.1544 crore].

b. Financial year 2002-03

The Bank's operations during the year resulted in Profit Before Provisions, Depreciation and Tax of Rs.1764 crore, reflecting an increase of 25% over the level (Rs. 1411 crore) achieved in 2001-02.

The increase is largely attributable to a combination of significant increase in capital gains (Rs. 419 crore as against Rs. 278 crore in FY 2001-02) and perceptible decline in overall expenses in general and interest expenses in particular (to Rs. 5434 crore from Rs. 6250 crore last year). PBT (Profit Before Tax) also moved up by 10% from Rs. 415 crore in the previous financial

year to Rs. 455 crore in 2002-03. After making a provision of Rs.92 crore towards taxation for the year (Rs.10 crore in 2001-02), and taking into account deferred tax credit amounting to Rs.38 crore (Rs. 19 crore), PAT amounts to Rs.401 crore (Rs.424 crore). After appropriations to reserves and reserve funds, the Board of Directors has proposed a dividend of 15% on the equity capital.

Gross total income during the year stood at Rs.7481 crore while total expenditure aggregated Rs.5717 crore.

Aggregate assets of the Bank, as on March 31, 2003, stood at Rs. 63,116 crore. IDBI continued to maintain a sound capital base with a capital adequacy ratio (CAR) of 18.9% at end-March 2003 (18.0%) as against the RBI stipulation of 9%, of which Tier I CAR worked out to a high level of 14.3% (12.2%).

Operational Performance

Aggregate sanctions and disbursements under all schemes of assistance during 2002-03 stood at Rs.2950 crore and Rs.3892 crore respectively. The volume of operations achieved during the year reflected the prevalent subdued industrial investment climate and a deliberate corporate strategy to direct fresh assistance only to prime-rated clients to improve overall asset quality of portfolio. Five industries viz. refineries and oil exploration, financial services, telecom services, hotels and textiles together accounted for over two-thirds of total sanctions and over

half of total disbursements effected during 2002-03. An analysis of industry-wise trends obtaining during the year indicates a perceptible shift in IDBI's financing towards the services sector. Infrastructure sector constituents accounted for 13% of overall sanctions and 18% of overall disbursements during the year.

IDBI continued to pursue a strategy of extending assistance on a selective basis to good corporates under various non-project finance products. This has been reflected in an increase in the share of non-project finance in overall assistance to 72.7% in 2002-03 from 61.4% during the previous year.

Corporate Debt Restructuring (CDR) Mechanism

The Bank continued to efficiently carry out its co-ordination function as the administrator of Corporate Debt Restructuring (CDR) system. It may be recalled that the three-tier CDR system, which became operational in March 2002, was set up as a non-statutory, transparent and voluntary mechanism for an orderly and co-ordinated restructuring of corporate debts of potentially viable but currently stressed entities, outside the purview of BIFR, DRT and other legal proceedings (since modified) for the benefit of all concerned.

With a view to making the CDR mechanism more simple and efficient, RBI has recently issued revised guidelines on Corporate Debt Restructuring, based on expert recommendations and in consultations

with Government of India.

As on date, 61 institutions / banks comprising All India Financial Institutions (12), Public Sector Banks (27) and Private Sector Banks (22) have signed the Inter-Creditor Agreement (ICA). The Empowered Group approved final schemes in respect of 29 cases in which aggregate assistance by financial system amounted to Rs.29,167 crore, 18 cases with outstanding assistance of Rs.6826 crore were rejected and remaining 13 cases with aggregate outstanding assistance of Rs.8376 crore are currently being processed.

Enforcement of Security Interest under SRES Act.

Pursuant to the promulgation of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SRES) Ordinance in June 2002 (subsequently enacted as SRES Act in December 2002), IDBI initiated steps for recovery of its dues from Non Performing Assets (NPAs) Accounts under the new provisions. Upto March 31, 2003, the Bank issued notices under SRES Act to 41 borrowers with an aggregate principal outstanding of Rs.1459 crore. In addition, the Bank has conveyed its consent to the lead institution(s) for taking action under the Act in respect of another 31 borrowers, with principal outstanding amounting to Rs.822 crore. A number of borrowers from among these 72 cases have since approached the Bank for settlement of dues on One Time Settlement (OTS) basis and a few of them have even made some payments up-front as a token of their

The Bank continued its focussed pursuit of NPA containment and recovery maximisation out of NPAs through a wide variety of measures at its command, depending on the circumstances of each case. Stress assets are being transferred to a separate 'Close Monitoring Cell' for closer and effective monitoring. Temporary deferment is granted in cases where the problems are of a short-term nature and borrowers agree to clear the overdues within a short time period. In cases of companies facing long-term problems but whose intrinsic viability is not in doubt, restructuring/re-phasing of the dues/OTS are considered, depending upon the problems faced and the expected future cash flows.

In cases where financial restructuring is under consideration, discussions are held with other term lenders, as also working capital bankers, to have a co-ordinated approach, with the CDR system providing an ideal forum for resolving inter-creditor issues in such cases. In respect of borrowers who are not co-operating with the Bank, legal action is initiated to enforce security, invoking the SRES Act, for facilitating recovery of the Bank's dues.

The proposed ARCs being promoted by FIs and Banks would offer another window to the Bank to take care of the NPA problem. Cases where promoters are found to be earning profits but not clearing overdues are being reported to RBI for inclusion in the list of 'wilful defaulters' and legal action is being simultaneously initiated. Cases of wilful default where there is an element of fraud and cheating invite separate criminal action.

Resource Mobilisation

IDBI continued to mobilise resources -both from the wholesale and retail market- in India and abroad during 2002-03. Net rupee resources raised by the Bank during the year amounted to Rs.8560 crore. It may be mentioned here that IDBI has repaid/pre-paid high-cost borrowing aggregating Rs. 20,959 crore during the last three financial years. Of this, borrowing amounting to Rs. 6840 crore was retired during 2002-03. This helped to reduce interest cost by Rs. 467 crore during the last year. Similar savings in interest cost during the financial year 2003-04 is currently expected to be of the order of Rs. 654 crore.

Gross foreign currency borrowings/drawals during 2002-03 from existing/new Lines of Credit stood at Rs. 497 crore.

Risk Management

Optimum allocation of capital and maximisation of shareholder value exert a deterministic influence on risk management initiatives in the Bank. A high-level Risk Management Committee (RMC), comprising senior executives of IDBI, accordingly defines the Bank's risk philosophy, delineates the overall risk management policy and supervises progress in implementation of a comprehensive risk management system, consistent with RBI Guidelines and the requirements of the Basle Capital Accord of the Bank for International Settlements (BIS).

commitment towards such settlement of dues. Further, IDBI has sought consent of other creditors for serving notice on 28 other cases with aggregate principal outstanding of Rs. 492 crore. The Bank has so far seized assets of two units under the SRES Act.

Establishment of Asset Reconstruction Company

IDBI along with ICICI Bank Ltd. (ICICI), State Bank of India (SBI) as major sponsors, with 24.5 % shareholding apiece, and few other small private banks, who would be holding the balance shares, have jointly promoted the Asset Reconstruction Company (India) Ltd. (ARCIL). The Company has been established with an initial authorised/paid-up capital of Rs.20 crore/Rs.10 crore respectively and is expected to become fully operational shortly.

Asset Quality

In line with RBI Guidelines for asset classification, as at end-March 2003, 85.8% (88.3% in 2001-02) of the Bank's loan and other assistance portfolio were classified as standard assets.

As per the stipulations made by RBI, suitable provision has been made for the portfolio of standard assets. Sub-standard assets formed 5.6 %(4.5%) while doubtful assets constituted 8.6% (7.2%) of portfolio, for which provisions have been made in conformity with prudential requirements. Loss assets were fully written off.

Credit Risk Management

Credit risk, admittedly the most significant risk in the business of the Bank, is accorded paramount importance so as to achieve a sound asset base as well as to ensure sustained profitability of its operations over the long-term. Risk identification, risk measurement, risk mitigation and risk-based pricing are integral parts of the credit delivery system of IDBI.

The credit sanctioning process, based on a committee approach, emphasises rigorous risk identification and evaluation right from the initial stages. With a view to arriving at an independent risk-rating of credit proposals, IDBI, in association with international consultants, has developed customised models, suiting the specific requirements of IDBI.

The Credit Risk Management Group (CRMG) has been constituted to set up a robust Credit Risk Management System in the Bank as also to evaluate risk rating of the credit proposals. CRMG, using customized models, allots credit rating to the credit proposals, which is vetted and approved by a Rating Committee, consisting of senior officers of the Bank.

The internal models are also being used to rate the entire portfolio, to develop database on rating migration over time, thereby facilitating portfolio management and eventually developing Risk Adjusted Return On Capital methodology for risk-based pricing.

Strategic Repositioning

The significantly altered industrial and financial sector environment makes it imperative for DFIs to revisit their traditional business matrix. The pronounced presence of the industrial sector in their business portfolio, it is felt, must make way for a more diversified product-mix. Entry into the commercial banking arena could offer one conduit for achieving the required diversification.

Commercial banking would provide a wide retail reach making it possible to raise low-cost funds, acquire retail assets where the risks are low and thereby maintain/improve overall asset quality. It would of course be necessary to develop a robust technology platform and acquire a critical mass of banking assets to speedily derive the benefits of diversification through this mode.

In view of the felt need to impart operational flexibility and a diversified charter to IDBI, Government of India has sought to repeal the IDBI Act 1964, by introducing the Industrial Development Bank (Transfer of Undertaking and Repeal Bill) 2002 in the Lok Sabha.

The Bill, which is currently being examined by Parliamentary Standing Committee on Finance, is aimed at converting IDBI into a Company under the Companies Act and enabling it to undertake banking business.

FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2003

(Rs.in Cr.)

Sr. no	Particulars	Year Ended		Three months ended	
		31-03-03	31-03-02	31-03-03	31-03-02
		(Audited)	(Audited)	(Unaudited)	(Unaudited)
1	Income from operations	7337	7804	1840	1838
2	Other income	144	145	62	53
3	Total Expenditure				
	(a) Staff cost	88	108	26	21
	(b) Bond issue expenses w/off	72	66	25	17
	(c) Other Expenditure	123	114	30	24
	Total Expenditure (except Interest cost)	283	288	81	62
4	Interest Cost	5434	6250	1061	1482
5	Profit before Depreciation and provisions (1+2-3-4)	1764	1411	761	347
6	Depreciation	199	223	45	55
7	Bad and doubtful debts/ investments written-off/ provided for	1110	773	450	129
8	Profit before tax (5-6-7)	455	415	267	163
9	Provision for taxation	92	10	74	0
10	Deferred tax credit	38	19	16	19
11	Net profit (8-9+10)	401	424	209	182
12	Paid up Equity Share Capital (Face value Rs. 10 per share)	653	653	653	653
13	Reserves excluding Revaluation Reserves	6292	6001		
14	Accelerated write-off of bad and doubtful debts by withdrawal from Special Reserve unde Sec 36(i)(viii) of I.T. Act, 1961	0	2500		
15	Earning Per Share (In Rs.) (Basic/diluted)	6.15	6.50	3.20	2.79

16	Shareholding	No. of shares	% of shareholding
	Govt. of India	38 17 28 000	58.47
	Employees	7 49 880	0.11
	Public	10 66 37 870	16.33
	HUF	714132	0.11
	Bodies corporate	2 74 17 894	4.20
	Institutions	9 22 73 669	14.13
	Societies	1 73 920	0.03
	Trusts	36 63 30	0.06
	Insurance companies	36 844837	5.65
	NRI's	5717 545	0.88
	NSDL (Transit)	206323	0.03
	Grand Total	65 28 30 400	100.00

**CONSOLIDATED AUDITED FINANCIAL RESULTS OF IDBI AND ITS
SUBSIDIARIES**

(Rs.in Cr.)

Sr.No.	Particulars	Year ended 31-03-2003	Year ended 31-03-2002
1	Income from operations	8383	8799
2	Other Income	201	191
3	Total expenditure		
	(a) Staff cost	156	161
	(b) Bond issue expenses w/off	72	66
	(c) Other expenditure	245	182
	Total expenditure (except interest cost)	473	409
4	Interest Cost	5948	6696
5	Profit before Depreciation and Provisions (1+2-3-4)	2163	1885
6	Depreciation	227	247
7	Bad and doubtful debts /investments written-off / provided for	1159	825
8	Profit before tax (5-6-7)	777	813
9	Provision for taxation	275	171
10	Deferred tax credit	41	26
11	Net profit (8-9+10)	543	668
11	(a) Share of (profits) / losses of minority shareholders	33	41
12	Paid up Equity Share Capital Fully paid shares (face value Rs.10 per share)	653	653
13	Reserves excluding Revaluation Reserves as per Balance sheet	6892	6388
14	Accelerated write-off of bad and doubtful debts by withdrawal from Special Reserve under Sec 36(i)(viii) of I.T. Act,1961	0	2500
15	Earning Per Share (in Rs.) (Basic /Diluted)	8.33	10.23

**CONSOLIDATED SEGMENTAL INFORMATION OF IDBI AND ITS
SUBSIDIARIES**

(Rs.in Cr.)

Sr.No.	Particulars	Year ended 31-03-2003	Year ended 31-03-2002
1	Segment Revenue		
	Wholesale banking	6678	7448
	Treasury	737	711
	Others	180	74
	TOTAL	7595	8233
	Less :- Inter-segment revenue	170	68
	Net income from operations	7425	8165
2	Segment Results - Profit/(loss) before tax		
	Wholesale banking	365	464
	Treasury	415	425
	Others	11	-27
	Total	791	862
	Less: Other unallocable expenditure net of unallocable income	14	49
	Total profit before tax	777	813
	Income taxes	234	145
	Net Profit	543	668
3	Segment assets		
	Wholesale banking	67331	70819
	Treasury	3450	3162
	Others	3327	1309
	Total assets	74108	75290

From the attached financial results of IDBI, it is evident that the incomes from operations at the end of March 31, 2002 were Rs 7804 crore, which reduced to Rs 7337 crore at the end of March 31, 2003. Similarly the other income also reduced simultaneously. Which cannot be said a good sign of administration.

Another important point to be noted is that, the control over expenditure was minimal. However the bad & doubtful debts, along with investments written off also increased in the year 2002-03 as compared to the previous year. This increase was recorded approx 44%.

The profit before Tax (PBT) in the year 2002-03 was Rs 40 crore more as compared to the year 2001-02 but on account of provision for taxation and also deferred tax credit, the profit after tax (PAT) was reduced by Rs 23 crore. The overall financial results of IDBI thus declined the earning per share by Rs 0.35 in the year 2002-03.

As from the share holding of IDBI it is clear that more than 58% holding is with the Govt. of India. While 0.11% is from employees and only

14.13% is through institutions. The employee's share, which is not even 1% of the share holding, can be enhanced, so as to have their better participation.

Another table representing financial results of IDBI and its subsidiaries have also shown a discouraging trend.

The income from operation declined in the year 2003 as compared to the year 2002. Similarly the profit before tax (PBT) and even profit after tax (PAT) reduced rigorously. The earnings per share also declined by Rs 1.90 per share on March 31, 2003 as compared to March 31, 2002.

CHAPTER-3

ORGANISATION AND MANAGEMENT

ORGANISATION AND MANAGEMENT

IDBI is a professionally managed organisation. It's Board of Directors, headed by the Chairman and Managing Director, consists of professionals from diverse fields, representatives of minority shareholders and the nominees of the Government of India, the major shareholder with a 58.47% holding in IDBI's equity capital.*

The day-to-day operations are handled by the Chairman and Managing Director, with the support of the Executive Directors and a sizeable pool of competent and experienced professionals. The professionals include an economist, a professional manager and a management consultant.

In the mid 1990's, IDBI had drawn up a comprehensive performance improvement programme with the help of Booz Allen and Hamilton (BAH), an international management consultant firm. The exercise was driven by the imperatives of an early strategic re-positioning on the organisational front so as to maintain it's leadership position in the emerging financial system. The performance improvement programme is centered around the Bank's organisation, delivery process and information technology.

IDBI is planning to enter the insurance sector for life insurance service .It has retained the services of a consultant for working out a detailed strategy and a business plan for the venture. Negotiations with a number of renowned foreign insurance companies for financial and technical collaborations are under progress.

The blueprint of repositioning the Bank in the fast changing business environment in keeping with it's Mission and Vision Statement, is being prepared. Accordingly, the services of Boston Consulting Group (BCG) have been retained to prepare a road map for organisation and business restructuring to transform the Bank into a globally competitive universal bank, utilising the operational synergy of the IDBI Group in the process.

Training of human resources for the purpose of upgrading their knowledge and competence, keeping in view the challenges posed by the on-going changes in the business environment, has become increasingly relevant in recent times.

IDBI has been responding to these challenges by periodically exposing its officers and staff to need-based training programmes conducted by its own training Institute viz. The Jawaharlal Nehru Institute For Development Banking (JNIDB), Hyderabad, and other reputed institutes in India and abroad. JNIDB was established in June 1991. Besides IDBI being a statutory Organization is governed by the Industrial Development Act 1964. The functions and business of IDBI are regulated by the IDBI Act. In addition, IDBI being a financial institution is subject to regulatory supervision by RBI. The Reserve Bank of India Act, 1934 empowers RBI, inter alia, to call for certain information relating to the business of IDBI and give directions relating to the conduct of its business. RBI had set up a board of Financial supervision in 1995 under the chairmanship of the Governor of Reserve Bank of India*.

The general superintendence, direction and management of the affairs and business of IDBI is vested in the Board Of Directors which exercises all powers and does all acts and things which may be done by IDBI. The Board may direct that any power exercisable by it may also be exercisable by the Chairman, Managing Director**.

* Under the guidance of the Board For Financial supervision of Financial Supervision of the RBI supervises Financial Institutions and Commercial Banks. The department of Financial Supervision also undertakes off-site and on-site supervision over banks and financial institutions as part of such surveillance, The Reserve Bank Of India carries out periodical inspection of IDBI. It is clarified that the inspection report is strictly confidential and IDBI has replied all the points referred to by the RBI in its latest inspection report. The Reserve Bank Of India has been issuing detailed guidelines to Financial institutions on asset classification, income recognition and provisioning, Capital Adequacy, Asset Liability Management etc. from time to time. IDBI adheres to all such guidelines and submits necessary information to RBI as per the guidelines.

** A whole time Director appointed by the Government on the recommendations of the Board, two Government nominees, three directors having special knowledge/professional experience in diverse fields nominated by the Central Government and four directors elected by the shareholders other than the Government Of India.

Organization and management

As regards the organization and management of IDBI, it was first wholly owned by the RBI, as its subsidiary with the Central Board of Directors of the latter acting as its Board of directors. Afterwards IDBI was de-linked from the RBI and acted as autonomous body.

The authorised share capital of IDBI was raised from Rs. 50 crore to Rs. 100 crore with a provision to raise it further to Rs. 200 crore. The Board had constituted an Executive Committee consisting of ten Directors including Chairman and the Managing Director.

The Organizational structure of IDBI consists of three layers such as Head Office, Regional Offices and the Branch Offices. The Head Office is located in Bombay. Five Regional Offices are established at Calcutta, Madras, New Delhi, Bombay and Gauhati. There are thirty-eight branch offices functioning at present. IDBI is one of the top ten Development Banks in the world. It has recently identified four international centers to set up offices in the near future. Those are at New York, Tokyo, Frankfurt in Europe and Singapore or Hong Kong in South East Asia, with an eye to globalization.

The resources of IDBI may be mobilized from various sources such as its self-owned funds, borrowings and deposits. The paid-up capital of IDBI at March end 1992 was Rs. 753 crore. Reserves and

surplus amounted to Rs. 1,584 crore as on the aforesaid date. Market borrowing of IDBI formed 9.58 per cent of its total funds as on March 1992.

Borrowings from Government of India accounted for 2.28 per cent of its total resources on that date. Borrowing in foreign currency constituted 2.59 per cent of its total resources as on March end 1992. IDBI utilizes its funds for disbursement of loans, repayment of borrowing, redemption of bonds, payment of interest and taxes, payment of dividend to RBI and Government, and payment of other loans. The debt-equity ratio of IDBI was 10.18:1 as on March end 1992. The borrowings and equity of IDBI showed an increasing trend during the period under study.

During the study period, the annual growth rate of lend-able resources and the percentage of sanctions to lend able resources showed a declining trend. The annual appropriations made to the reserve by IDBI were only 5.42 percent in the year 1992 because it was omitted from the exemption of income tax. .

SUBSIDIARIES: -

The subsidiaries setup by IDBI at present is as follows:

Name of the Subsidiary	Major activity	Equity share (%) held as on 31.3.98
------------------------	----------------	-------------------------------------

Wholly-owned subsidiaries

IDBI	Refinancing to SSI sector	100.00
IDBICapitalMarket Services	Capital market services	100.00
IDBIInvestmentManagement Company Ltd.	Investment banking	100.00

Majority holding subsidiaries

IDBI Bank	Commercial banking	80.00
Unit Trust of India	Mutual fund	50.00 (contribution to initial capital)

Others

National Securities Depository Ltd.	Depository	39.05
State Financial Corporations	Term-lending	33.08
Industrial Finance Corporation of India Ltd.	Term-lending	28.63
Biotech Consortium Ltd.	Bio-technology	27.90
Credit Analysis and Research Ltd.	Credit rating	26.00
Investor Services of India Ltd.	Investor services	25.00
North Eastern Development Finance Corporation Ltd.	Term lending	25.00
Twin Function State Industrial Development Corporations	Term - lending	24.54
Over the Counter Exchange of		17.00

India Securities exchange Ltd.

Stockholding Corporation of Custodial Services 16.96

India Ltd.

National Stock Exchange of Securities exchange. 14.00

India Ltd.

Tourism Finance Corporation of Tourism financing 11.18

India Ltd.

SUBSIDIARIES / ASSOCIATES

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

SIDBI was set up on April 2, 1990 as a wholly owned subsidiary of IDBI, under an Act of Parliament viz., Small Industries Bank Of India Act, 1989. The objectives of SIDBI are to serve as the principal financial institution for promotion, financing and development of industries in the tiny and small-scale sector and to co-ordinate the functions of the institutions engaged in similar activities. The SIDBI Act was amended in March 2000, enabling, among other things, the transfer of IDBI shareholding to a maximum 51% from IDBI.

IDBI BANK LTD.

Consequent upon opening up of commercial banking to the private sector, IDBI set up a commercial bank, IDBI Bank Limited in September 1994. IDBI Bank offers high technology based top-of-the-line branded products, which have been well received by the market. It is also a leading player in Depository Participation services enabling customers to hold and trade electronically. It offers the full range of commercial banking products and services to corporate and other business segments.

IDBI Bank, which began with, an equity capital of Rs.100 crore (Rs.80 crore contributed by IDBI and Rs.20 crore by SIDBI) opened its first branch at Indore in November 1995. As per 2001-2002 data, IDBI Bank now has a nation-wide network across 58 cities with 78 branches, 3 extension contours and 236 ATM (4th largest online ATM network in India) providing 24-hour banking convenience to its customers.

IDBI Bank offers its retail services through all channels like branch banking; phone banking, Internet banking and mobile banking. At present, 45% of its total deposits are retail deposits and 34% are low cost deposits.

Net profit for the year 2001-2002 of IDBI Bank was Rs.52.4 crore (Rs.19.4 crore in 2000-2001). Dividend approved by the Board for the year ended March 31, 2002 was 10 % (7% in 2000-01) of the paid up capital.

Consequent upon the initial public offering of the equity share in February 1999, IDBI and SIDBI hold 57.14% and 14.29% respectively of the equity of IDBI Bank Limited.

IDBI Bank Ltd has posted a net profit of Rs.37.64 crore for the quarter ended March 31,2004 as compared to a net profit of Rs16.44 crore for the quarter ended March ended March31, 2003.Total income has increased from Rs.199.74 crore in March Quarter-03 to Rs.259.9 crore in March Quarter-04.

The Bank has posted a net profit of Rs.132.45 crore for the year ended March 31,2004 as compared to a net profit of Rs.71.1 crore for the year ended March 31,2003. Total income has increased from Rs.763.14 crore in financial year-03 to Rs.947.02 crore in financial year-04. The Board of directors has recommended a dividend of Rs.1.25 per share (12.50%).

IDBI Bank in expansion mode.

The Bank has finalized its blueprint to expand its network by opening 28 new branches across the country. IDBI Bank, which at present has 92 branches and 7 extension counters, has planned its new branch network in urban as well as semi-urban areas with 10 in the west zone, 9 in the north, 7 in the south and 2 branches in the east. IDBI Bank has presence in 69 cities with a pan-India distribution, which will increase to 87 cities after the expansion. The bank, known for its young and energetic teams on its fronts, will scout for fresh talent to ramp up its HR.

This will provide excellent and challenging opportunities for the emerging talent pool. The Bank has recently raised a fresh capital of Rs.130 crore as Tier-II Capital to power drives its expansion plans. While strengthening its position in traditional areas of business like retail and corporate banking, IDBI Bank has made successful forays into Government Business securing CDDT and CBEC mandates to collect income tax and excise and service charges respectively. This initiative gives the bank access to big businesses, further catalyzing its growth plans.

IDBI Capital Market Services Ltd.

A stock broking company, IDBI Capital Market Services Limited (IDBI Capital) was set up in 1993 to provide a range of capital market related services. It commenced operation as a Primary Dealer in November 1999. IDBI Capital markets public issues of securities through its strong network of agents.

As a depository participant, the company offers institutional and retail clients the facility to maintain their investment and securities in electronic form. It also acts as portfolio manager and manages the investment portfolios of several provident and pensions funds. IDBI Capital is one of the primary dealers accredited by RBI to act as a market maker in government securities.

IDBI Intech Limited

IDBI Intech Limited (INTECH) was set up as a wholly owned subsidiary of IDBI, in March 2000, to undertake Information Technology (IT) related activities. It is registered with Software Technology Parks of India (STPI). The Authorized capital of Intech is Rs.100 crore, comprising equity share capital of Rs.75 crore and

preference capital of Rs.25 crore. IDBI subscribed an amount of Rs.1.6 crore towards the equity share capital of Intech.

With the domain knowledge in the financial sector acquired by its professional staff over the years, and their experience in the development of software for the financial sector, Intech would capitalize on the business and IT knowledge to offer the IT- related products and services not only to the IDBI Group but also to other organizations in the financial sector. It has carried out web-site development for IDBI, IDBI-Principal Asset Management Co. Ltd. and IDBI Bank Ltd.

Intech is also in the process of identifying an appropriate overseas partner to have access to the export market segment. To realize its goals, Intech would operate in multi-dimensional framework – as adviser, software developer, systems integrator and executor, provider of shared services, specialist training and development and also as a forum for ideas on digital economy solutions. The Company has already taken effective steps to implement ISO 9001 – 2000 and to prepare itself for Capability Maturity Model (CMM) Level 4 assessment.

During the year ended March 31, 2002, IDBI Intech earned revenue from sales and services and other income of Rs.7.8 crore as against Rs.2.2 crore for the year ended March 31, 2001. Its Profit before

Tax was Rs.42 lakh for the year ended March 31, 2002 as against Rs.15 lakh for the year ended March 31, 2001.

IDBI Trusteeship Services Ltd. (ITSL)

Consequent to amendment of the Debenture Trustee Regulation, 1993, requiring arms length relationship to be maintained between the issuer and the Trustee, IDBI set up IDBI Trusteeship Services Ltd., (ITSL) under the Companies Act, 1956 in March 2001.

It proposes to induct an international strategic partner into this venture in due course. The new company would be technology-driven to provide safety, up-to-date information and professional services to the subscribers and issuers of debentures.

RISK MANAGEMENT

IDBI in the course of its operations is exposed to various risks like Credit Risk, Exchange Risk (arising from movement of exchange rates of foreign currency) and Operational Risk (includes risks arising from operational processes including technology, manpower, procedures etc,.). The risk philosophy of the Bank is guided by the twin

objectives of enhancement of shareholder value and optimum allocation of capital.

RISK MANAGEMENT PROCESS [Credit Risk]

Credit risk management, both at the transaction level as well as at the portfolio level, aims at building up sound asset quality and long-term profitability of the institution and encompasses activities like risk identification, risk measurement, risk mitigation and risk-based pricing.

The IDBI Board, in August 2000, approved the proposed implementation of a Credit Risk Management System in IDBI, within a period of three years. Pursuant to the above decision, to manage the credit risk pro-actively, a Risk Management Committee (RMC) was set up in the Bank.

The RMC, chaired by the Deputy Managing Director and comprising senior executives of the Bank, enunciates the overall risk philosophy of the Bank, lays down strategies and policies in accordance with the former and reviews progress of implementation of the risk management framework. A Credit Risk Management Group has also been set up to establish a credit rating system suited to the business of IDBI and the Bank's specific requirements and eventually to put a Credit Risk Management System in place.

Risk identification and evaluation is done at the credit sanctioning stage itself. IDBI has in house experience and expertise in appraisal of projects. The appraisal techniques are continuously reviewed and upgraded to take into account the knowledge acquired and experiences of project implementation as also the changing complexities of the economic scenario. All sanctions are committee based to ensure better discussion / evaluation. A senior officer from Risk Management Group attends Credit Committee meetings to provide independent risk evaluation inputs, to facilitate appropriate credit decisions.

As risk mitigation measures, exposure limits are set for individual corporate, corporate groups and industries. The exposure norms have recently been revised. The new norms have been designed to have an in built check against exposure to companies / groups / industries. Besides, project specific risk mitigation covenants are incorporated in the terms and conditions of loans. The risk perception also gets reflected in pricing, within the constraints of competition.

Market Risk

The market risk arises from movement in market values including interest rate levels, which in turn, may be impacted by various economic and political factors, change in policies/regulatory framework etc. Fluctuations in market rates have an impact on the fair valuation /

realization of adequate returns, and also on the portfolios including, investments in Government -securities, corporate bonds, equities, etc. IDBI addresses this risk through the continuous evaluation of movement in market rates, analysis of past trends, stress test through rate shocks, scenario analysis etc. The interest rate on lending is fixed on the date of each disbursement, which to a great extent limits the risk as compared to earlier practice of fixing the lending rate at the time of sanction.

Liquidity Risk

IDBI will be exposed to the liquidity risk in case of low market liquidity, which may in turn result in IDBI not being able to raise necessary funds from the market to meet its operational/debt servicing requirements. The borrowing is also timed in considering the overall market liquidity apart from requirement of funds. IDBI maintains a reasonable level of investment in liquid securities, which could be encashed at short notice.

Exchange Risk

IDBI has a portion of its assets and liabilities contracted in foreign currencies. As a matter of policy, IDBI maintains a currency wise matching of assets and liabilities. IDBI makes foreign currency loans on terms that are similar to its foreign currency borrowings thereby transferring the foreign exchange risk to the borrower. IDBI's foreign currency cash balances are generally maintained abroad in currencies,

matching with the underlying borrowings. Therefore IDBI is not exposed to any risk of foreign exchange fluctuations.

Operational Risk

Internal Audit Department of IDBI conducts periodic operational audit and suggests procedures for improving the systems, procedures, documentation, etc. so as to mitigate operational risk. IDBI periodically reviews its systems and procedures through internal groups or with the help of outside consultants IDBI Treasury Operations have been certified under ISO 9002.

Asset & liability Management

With progressive financial deregulation, especially after the financial sector reforms of 1991, there has been a gradual enlargement of the Bank's exposure to market risks. IDBI recognizes that these market risks, mainly interest rate, liquidity and foreign exchange need to be measured, monitored and managed. IDBI has an Asset Liability Management Committee to manage market risks in a coordinated manner. With a view to further refine the market risk management systems, IDBI has with the approval of its Board defined the ALM policies, charter and procedures, taking into account the best practices followed internationally. The Bank has also defined its market risk philosophy and has specified ALM policies and charter, tolerance levels, monitoring and reporting systems etc. in terms of the operational guidelines issued by RBI in December 1999.

IDBI has been preparing Liquidity Gap Reports for liquidity risk management and Interest Rate Sensitivity Reports as also Duration and Modified Duration to control the impact on Net Interest Income (Nil) and Economic Value of Equity (EVE).

The Maturity profiles of assets and liabilities of IDBI, as on

(Rs. crore)

	Outstanding Amount	Upto 1 Yr.	1 Yr. 3 Yr.	3Yr to 5 Yr.	5 Yr.	Total
Liabilities						
1.Capital	653	0	0	0	653	653
2.Reserves and Surplus	6504	0	0	0	6504	6504
3.Notes, Bonds & Debentures	40764	7313	12770	10550	10130	40764
4.Deposits	5335	3751	745	639	199	5335
5.Borrowings	7413	1596	2912	1878	1027	7413
6.Current liabilities & Provisions	4749	3252	557	20	919	4749
Assets						
1.Balances with RBI	9	8	1	0	0	9
2.Balances with other banks	1644	1643	1	0	0	1644
3.Investments	11591	4288	1462	1016	4825	11591
4.Loans & Advances	47724	9454	14369	10182	13720	47724
5.Other Assets,	4116	1785	1176	53	1101	4116
Cumulative gap (B-A)		1266	1291	(546)	-	

September 30, 2002 is as follows: -

As can be observed from the Table on Maturity profile of Assets and liabilities given above there is a negative gap of Rs.1837 crore in over 3 to 5 years bucket. However, the maturity buckets of upto 1 year and 1 to 3 years have positive gaps aggregating to Rs.1291 crore. On cumulative basis, there is negative mismatch in only 3 to 5 years bucket amounting to Rs.546 crore. This situation has arisen because the balance sheet of IDBI is Assets sensitive and the assets are maturing faster than liabilities.

The statement does not take into account the effect of re-lending of these repayments from clients and fresh borrowings in future. Any gap resulting in any of the maturity buckets at any future date will be managed dynamically through suitable structuring of maturity profile of investment products and the asset portfolio.

For a comparative analysis, the maturity profile of assets and liabilities of IDBI as on March 31, 2002 was as follows:

(Rs. crore)

	Outstanding Amount	Upto1 Yr.	1 Yr. 3 Yr.	3Yr to 5 Yr.	5 Yr.	Total
Liabilities						
1.Capital	653	0	0	0	653	653
2.Reserves and Surplus	6042	0	0	0	6042	6042
3.Notes, Bonds & Debentures	41762	6227	13170	11361	11004	41762
4.Deposits	3383	2630	308	165	280	3383
5.Borrowings	8903	3047	2971	1612	1272	8903
6.Current liabilities & Provisions	5899	4547	509	11	832	5899
Assets						
1.Balances with RBI	28	28	0	0	0	28
2.Balances with other banks	1948	1948	0	0	0	1948
3.Investments	10137	1868	2167	1024	5078	10137
4.Loans & Advances	49898	10162	15631	11355	12751	49898
5.Fixed Assets	340	0	0	0	340	340
6.Other Assets,	4292	2538	698	44	1012	4292
Cumulative gap (B-A)		92	1629	903	0	

The following detail relates to the transactions made by IDBI for the last three years. This detail includes interest income, dividend income, fees, commission and other revenue. So far as out-standing balances are concerned with its subsidiaries a summarized detail for the last few years is:

Summary of transaction of IDBI with its subsidiaries for three years ended

	March 31,2000	March 31, 2001	March 31, 2002
Interest Income	177.69	145.42	5.81
Dividend, fees, commission and revenue	76.73	93.09	51.51
Interest expense	5.28	5.86	2.57
Administrative and other expenses	1.64	1.75	8.37
Outstanding Balances			
Loans	1031.30	809.76	1.20
Investments	531.00	648.10	388.10
Current assets	22.91	0.27	19.47
Long term debt	35.06	112.58	50.00
Current Liabilities	-	2.20	7.67

The financial information as contained in the Auditor's Report, including the notes to accounts, significant accounting policies as well as Auditor's qualifications have been duly certified by the Auditors of IDBI.

Financial highlights

(Rs billion)

As at year ended March	1999	2000	2001	2002	2003
Equity Capital	6.59	6.59	6.53	6.53	6.53
Reserves	80.34	83.66	84.74	60.01	62.92
Net Worth	86.93	90.25	91.27	66.54	69.45
Total Assets	691.43	722.85	717.83	666.43	631.16
For the year ended March					
Total Income	74.64	78.60	78.35	71.76	63.71
Total Expenses	61.64	68.33	71.01	67.61	59.15
Profit Before Tax	13.01	10.27	7.34	4.15	4.56
Provision for Income Tax	0.75	0.80	0.43	0.10	0.92
Profit After Tax	12.59*	9.47	6.91	4.24#	4.01##
Dividend on Equity Capital	3.03	3.03	2.94	0.98	0.98
Dividend on Pref. Capital	-	-	0.25	-	-
Financial Ratios					
Profit After Tax to Average Net Worth (%)	15.1	10.7	7.3	5.4	5.9
Profit After Tax to Average Assets (%)	2.0	1.3	1.0	0.6	0.6
Debt-Equity Ratio@	6.5	6.8	6.7	8.7	7.9
Capital Adequacy Ratio (%)	-	-	-	-	-
Tier I	12.7	12.3	12.2	12.9	14.1
Total	12.7	14.5	15.8	17.9	18.7

*Includes excess Income Tax provision of earlier years written back to the extent of Rs.0.33 billion

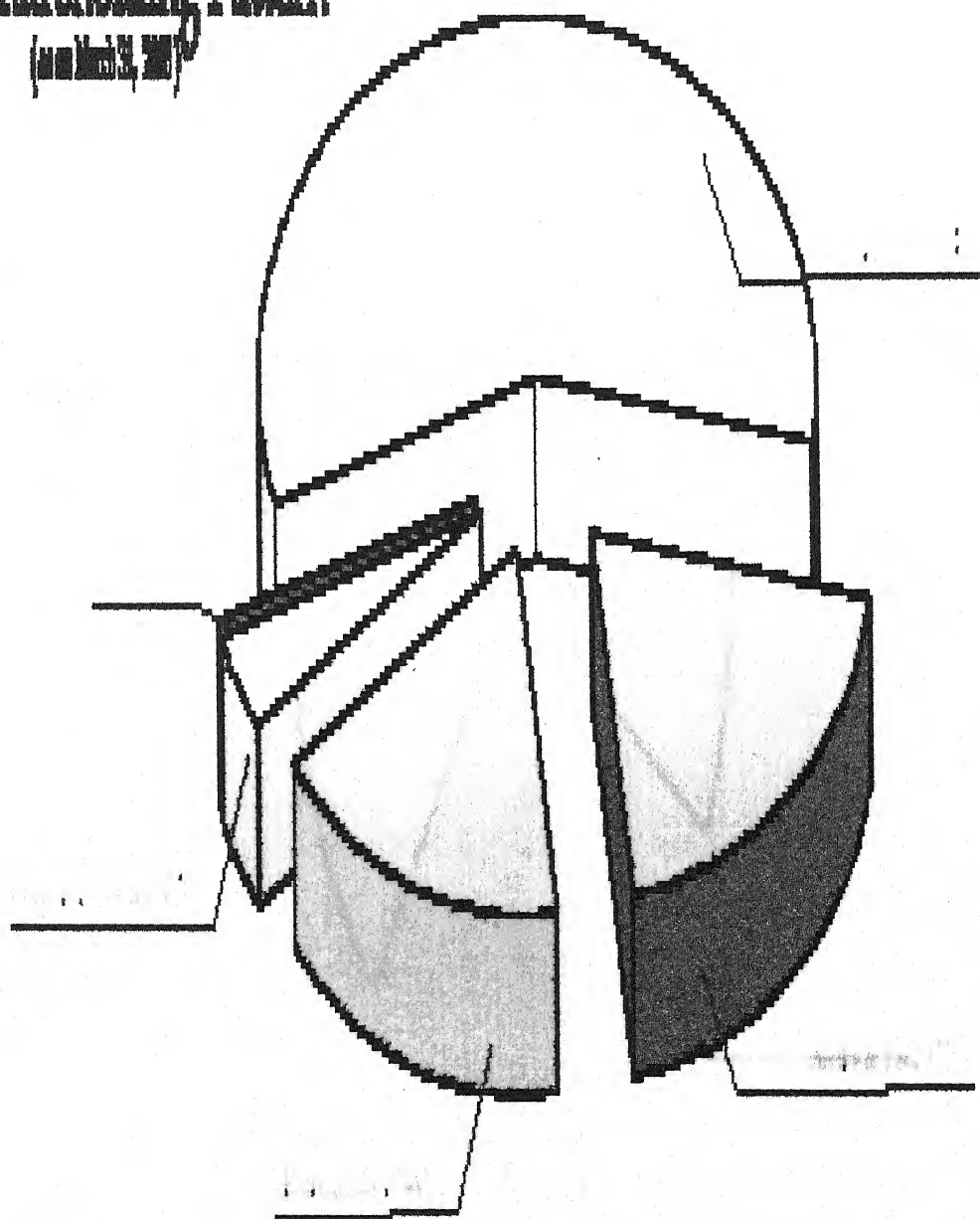
#Includes deferred tax credit of Rs.0.19 billion

##Includes deferred tax credit of Rs.0.38 billion

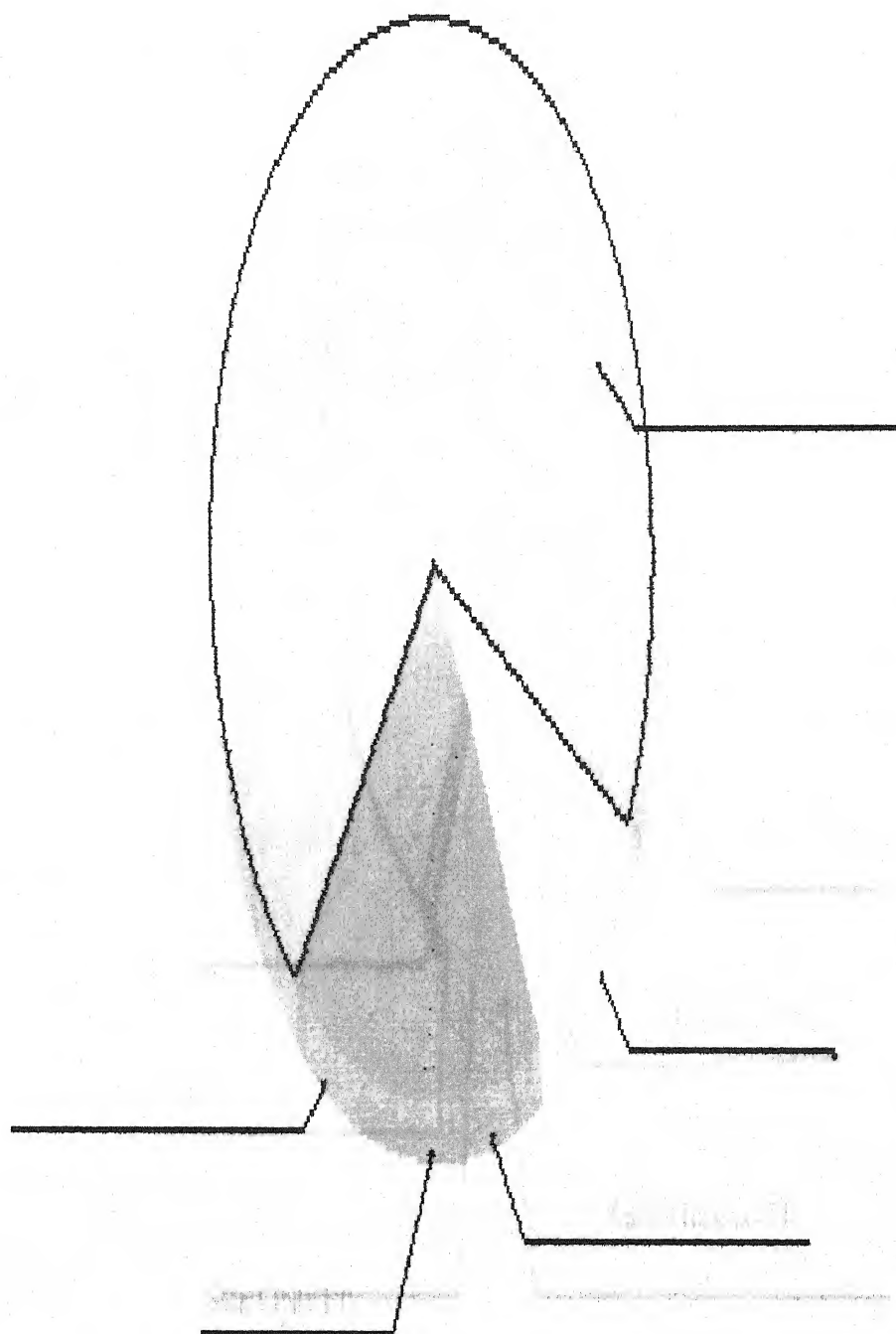
@Includes Outstanding Deferred Payment Guarantees

Shareholding Pattern

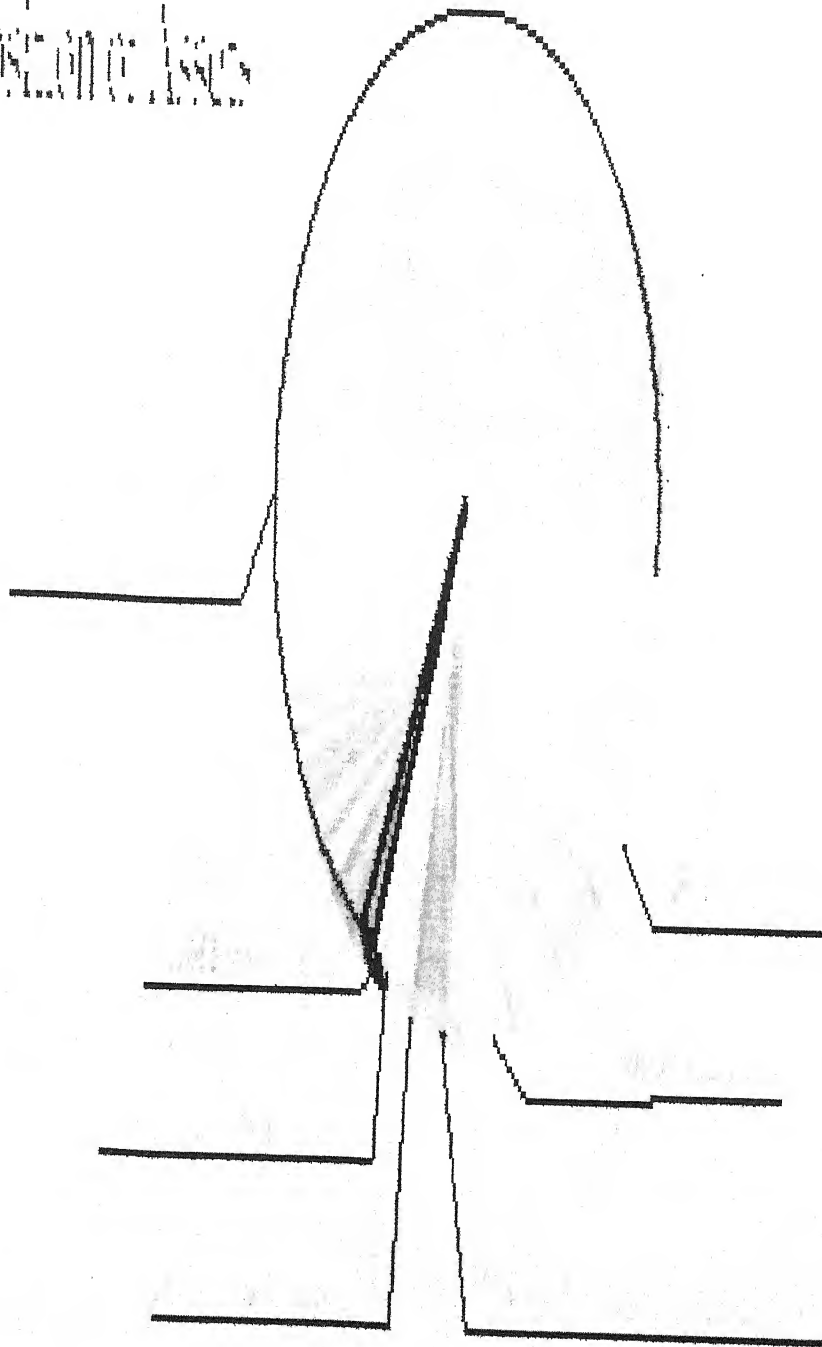
(as on March 31, 2007)



Composition of Libellula

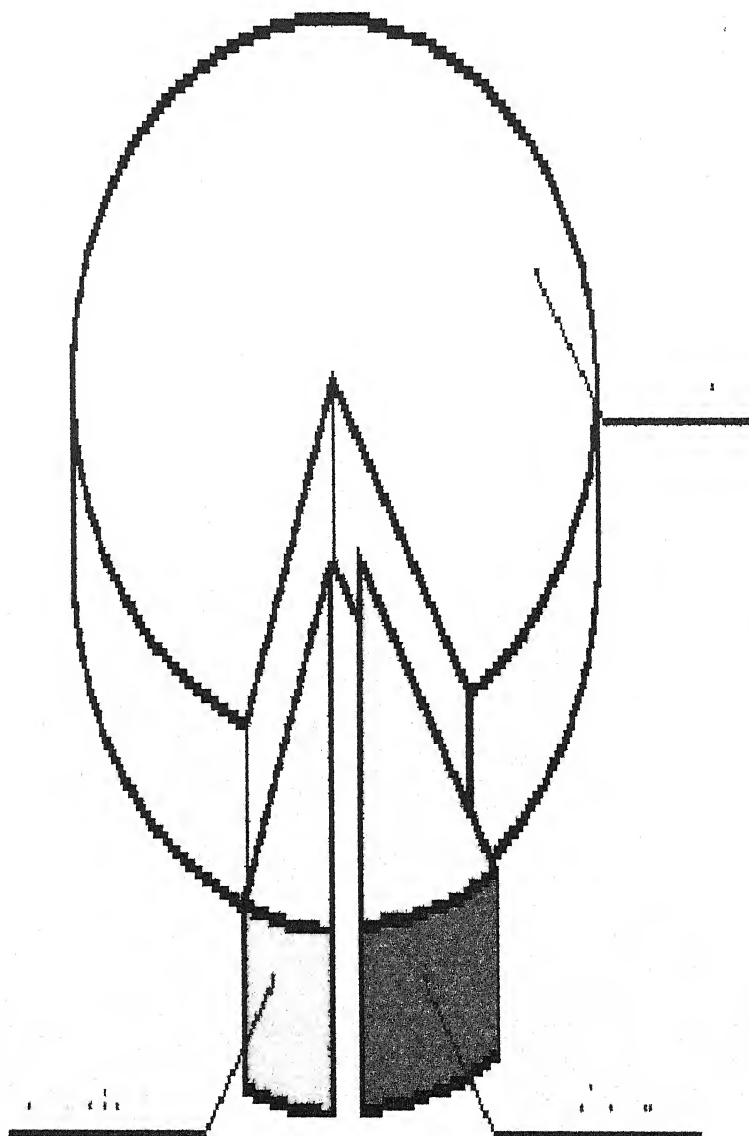


Composition of Assets

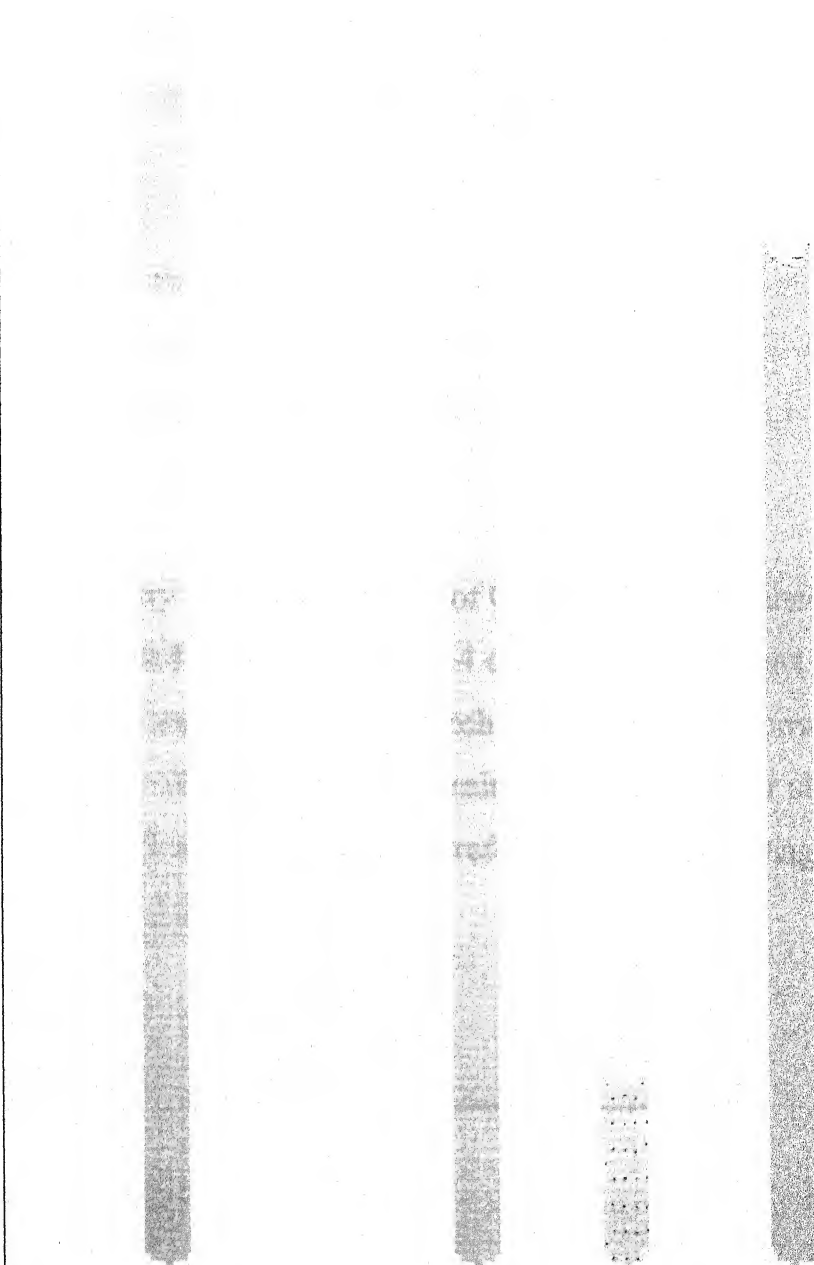


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Exams Book Takep Sheets



Some of the previous charts have highlighted the financial status of IDBI. The Table on page 3.21 has presented the Equity Capital, Reserves and the total Assets of IDBI for the year 1999 to 2003. This Table has also shown the comparative figures of Income, Expenses and also some of the important items of the financial status.

Financial ratios have also been calculated year wise, which has clearly highlighted the comparative position from the year 1999 to 2003.

Through the Chart No.1 on page 3.22, the share holding pattern of IDBI has been presented. Similarly through the Chart No.2 & 3 on the page 3.23 & 3.24 composition of Liabilities and Assets of IDBI is highlighted.

A Industry wise composition of Outstanding assistance on March 31, 2003 is presented through Chart No.4 on page 3.25. A chart representing Asset -classification of IDBI on March 31, 2003 is also shown as per Chart No.5 on page 3.26. However the Earning / Book value per share, (Rs) on March 31, 2003 is also presented carefully through Bar-Diagram (Chart No.6 page No. 3.27)

CHAPTER-4

FINANCIAL ADMINISTRATION

FINANCIAL PLANNING

The ownership of IDBI from 1964 to 1976 was with the Reserve Bank of India. The ownership was transferred to the government of India with effect from February 16, 1976. The top 10 shareholders of IDBI on the date of stock exchange filing, February 25, 2003 and the number of shares held by them is as follows:-

Name of the shareholder	No. of Shares
Govt. of India	381728000
Unit Trust of India	45771323
Life Insurance Corporation of India	28521950
State Bank of India	17124960
General Insurance Corporation of India	3560962
Export Import Bank of India	3200000
IFCI Ltd.	2854080
Syndicate Bank	2744320
ICICI Ltd.	2711520
Canara Bank	2628665

Source:- offer document IDBI Flexibonds 18 ----2003

The list of top ten shareholders 10 days prior to the date of stock exchange filing and the number shares held by them were almost the same except the share of Unit Trust of India which was 45907981, later reduced by 136658.

The contribution of the share capital since inception, was made by RBI, later transferred to Government of India in 1976. The details of capital history can be seen as under:-

Years	Cumulative Share Capital (in lakhs)
1988-89	54000
1989-90	63700
1990-91	70300
1991-92	75300

After 1992, some share capital was redeemed and the conversion of equity capital into redeemable preference shares was shaped at 50000 on 16-11-1994. The initial public offer was 67309.33 as on 25th August 1995. The equity shareholding of the government in IDBI stood reduced from Rs.485.58 crore to Rs.238.58 crores as on 5-6-2000. On August 25, 2000, 18074300 partly paid-up equity shares of face value Rs.10 each were forfeited consequently the aggregate face value of Rs.180743000 has been reduced from the subscribed and paid up equity capital. On account of all this, Government's shareholding has gone up to 58.5% with effect from August 25, 2000 (i.e. 40801.90). The Board of IDBI recommended bonus in the ratio of 3 equity shares for every 5 shares held. Consequently IDBI has issued 24,48,11,400 fully paid equity shares of Rs.10 each issued as bonus shares

on March 29,2001 by capitalization of capital reserve of Rs.4.52 corers and share premium of Rs.240.29 crores.

The capital structure as on March 31, 2002 can be seen as under:

CAPITAL STRUCTURE

(As on March 31,2002)

(Rs. Crore)

(A) Authorized capital		
Preference capital		
50,00,00,000 redeemable preference shares of Rs.10/- each	500	
Equity capital		
150,00,00,000 equity shares of Rs.10/- each	1500	2000
(B) Issued and subscribed capital		
Equity capital		
65,28,30,400 equity shares of Rs.10/- each		653
(C) Reserves and surpluses		6042
Including share premium account	1624	
(D) Loan funds		
Bonds and debentures		
(i) Issued in Rupees	41762	
(ii) Issued in foreign currency	1857	43619
Deposits		
Borrowings		
(i) Issued in Rupees	318	
(ii) Issued in foreign currency	6561	6879
(E) Present issue to public through document of March 2003		350

* The number of share holders of IDBI as on December 31, 2002 was 3,44,456

Source:- Annual report March 2003

The present issue of unsecured bonds by IDBI is made under the guidelines framed for financial institutions (SEBI guidelines 2000). IDBI has not raised any bridge loan or any other similar financial arrangement. During the year 2001-2002 bonds of Rs.2130.50 crore were issued to the Government of India in lieu of borrowings aggregating to Rs.2083.48 crore from Reserve Bank of India/Government of India.

IDBI being a financial institution is in the business of raising resources and developing them on an ongoing basis. However, no specific issue of “security” in domestic currency by way of a private placement or a public issue shall be made during the time when branch is open. In the event of over-subscription, the basis of allotment shall be decided on a proportionate manner in consultation with the Mumbai Stock Exchange and the National Stock Exchange as per the basis of allotment procedure. No single applicant in the net offer to the public category can make an application for a number of bonds, which exceeds the net offer to the public.

FINANCIAL RESOURCES

The IDBI raised Rs.8614 crore by way of Rupees and Foreign Currency borrowings during 2001-2002. The bank raises resources from both well-diversified wholesale markets and retail markets. The principal sources of funds from the wholesale markets are through issues of Omni bonds (private placements, on-tap bonds and tier-II bonds) certificates of deposits, IDBI corporate deposit (ICD), Term Money Bonds and

Commercial Paper (CP). The sources of funds from the retail market are unsecured bonds (IDBI Flexibonds series) and fixed deposits.

The bank has raised resources as:-

YEAR	DOMESTIC BORROWINGS/ FOREIGN CURRENCY BORROWINGS (Rs.in crore)
1998 - 1999	15820 + 502
1999 – 2000	8500+687
2000 – 2001	8841.90 (TOTAL)
2001 - 2002	8614 (TOTAL)

Taking advantage of the declining interest rate scenario, the Bank brought down the interest rate on its market borrowings during the year 2001-2002. Overall cost of borrowings was moderated by exercising call-options on high cost Rupee borrowings to the tune of Rs.2900 crore during 2001-2002.

RESOURCE MANAGEMENT

IDBI's principal sources of outstanding funds are –

- i) borrowings from the Government and RBI,
- ii) borrowings by way of Government guaranteed bonds,
- iii) private placement and public issue of unsecured bonds,
- iv) market related borrowings including certificates of deposit and fixed deposits,
- v) foreign currency borrowings and

- vi) internal generation.

Borrowings from the Government

These mostly represent loans from the International Bank for Reconstruction and Development (IBRD). The outstanding borrowings from the Government of India are repayable within 15 years from the date of agreement. The outstanding under the IBRD line has been converted into a 20 year liability.

Borrowings from the Reserve Bank of India

RBI provided resource support to certain institutions, including IDBI, out of the National Industrial Credit Fund (set up by RBI in July 1964). The loans drawn by IDBI are repayable within 15 years from the date of agreement. This facility has been discontinued from April 1990.

Government Guaranteed Rupee Bonds

IDBI's government guaranteed bonds enjoy the status of trustee securities and are also approved securities under the banking regulation act 1949. The bonds are largely taken up by the commercial banks and form part of their statutory liquid assets. Total outstanding as at March 31, 2002 stood at 6565 crore representing 12.8% of total debt.

Public Issues And Private Placements Of Unsecured Bonds

In January 1992, IDBI floated it's first public issue of unsecured bonds in India. This issue attracted subscriptions in excess of the largest amount from over 11 lakhs investors. IDBI launched it's second public issue of bonds in march 1993 which also elicited subscription in excess of the largest amount. IDBI has also made 10 more public

issue of bonds under flexibond series. During February 1996 to May 2002 collecting Rs.12,572 crore.

As on 31 March, 2002 the outstanding amount against unsecured bonds stood at Rs.35197 crore representing 65.32 % of the total debt.

Deposits and Borrowings

Total outstandings of CDs, fixed deposits, term money bonds and other borrowings as at March 31,2002 amounted to Rs.3,504 crore representing 6.50%of total debt.

Foreign Currency Bonds

Since 1986,IDBI has issued foreign currency bonds (denominated in deutsche mark, US Dollar, Japanese Yen and Swiss Francs) in the international debt markets. Total outstandings as at March 31, 2002 amounted to Rs. 1,857 crore representing 3.45% of total debt.

Multilateral and Bilateral Credits, Syndicated Loans and other Foreign currency borrowings

IDBI has been borrowing in foreign currency from multilateral agencies and international banks on a regular basis since 1982. It has obtained funding from IDA/IBRD for financing various sectors like Cement, Fertilizers, Electronics etc. and for pollution control also. With the exception of the Electronics line and the pollution control line, all IDA/IBRD credits have been routed through GOI where IDBI's liability has been rupee denominated and the exchange risk is born by Government.

As part of the financial sector development project loan (USD 700 million) for the indian banking sector, IBRD has routed the modernization and institutional

development loan component (USD 150 million) through IDBI for on lending to eligible banks. ADB has extended two lines of credit to IDBI, one in 1987 for on lending SST and MSI (USD 100 million) and for energy efficiency projects (USD 150 million) in 1995.

Over the years IDBI has also raised funds by means of syndicated loans, bilateral credits and private placements. Total outstandings under these heads as at march 31, 2002 stood at Rs. 6,561 crore representing 12.18% of total debt.

Internal Generation

Internally generated funds by repayment of loans by borrowing companies, receipt of interest, guarantee commissions and sale of investments in shares and bonds of companies constitute an important source of funds for IDBI.

Equity Issue

In July 1995, IDBI made its first public issue of Equity shares. 16.8 crore equity shares of Rs. 10 each were offered to the public at a premium of Rs. 120 per share for an aggregate amount of Rs. 2184 crore. In addition 1.44 crore shares were offered by the Government of India for sale at the same price, raising the total amount of the public issue to Rs. 2371.5 crore.

FINANCIAL APPRAISAL

After one decade of liberalization and reforms , Indian financial sector is still undergoing a metamorphosis, increasingly realising the importance of developing the cutting edge in its core business domain and at the same time covering the flanks through extending its presence in non traditional areas. The slow-down in industrial sector also has an adverse impact on asset quality of the financial intermediaries, with most of the

institutions , despite the more pro-active management of assets, reporting increase in non performing assets.

With the blurring of operating domains across the range of financial entities, including banks, financial institutions and non- banking financial companies, competition has intensified not only on the asset side, but on the resource side as well. The access provided to the corporate sector for raising funds in the recent years- both in domestic market as well as overseas-has resulted in some dis-intermediation, with the best of the companies preferring to borrow directly from the market.

The year 2001-02 witnessed comfortable overall liquidity in the Indian financial sector. The annual growth in money supply was in line with the projected growth at 14% as against 16.8 % in a year ago. The higher volume of liquidity into the financial system led to softening of market rates of interest.

The major policy measures taken by the Reserve Bank of India in the financial year include permission to increase Foreign direct Investment up to 49% from all sources in private sector banks by the automatic route. Successive credit policies of the RBI have been geared towards provision of adequate liquidity to meet credit and export growth and following a policy of softening of interest rates. To boost investor confidence and to strengthen market integrity Government has initiated many policy measures in the capital market. The foreign institutional investors have been permitted to invest in a company under the portfolio investment route beyond 24% of paid-up capital of the company .

In order to help banks to contain the high level of NPAs, Govt. proposed to set up a pilot asset reconstruction company. To further strengthen housing finance, the Union budget 2002-03 proposed mortgaged credit guarantee scheme to be launched by National

Housing Banks. The RBI also suggested policy measures to further improve the flow of credit to the housing finance sector by lowering the risk weight requirements for housing finance by banks and investment by banks in mortgaged based securities.

The slackening pace of industrial activities, compounded by depressed business sentiments and sluggish capital market was reflected in the operation of IDBI during April 2001-March 2002.

Total assistance sanctioned under all the schemes by IDBI stood at Rs.16034 crore in 2001-02 as against Rs.25418 crore in 2000-01. Disbursements during the year amounted to Rs.11158 crore in 2001-02 as against Rs.17474 crore in the previous year.

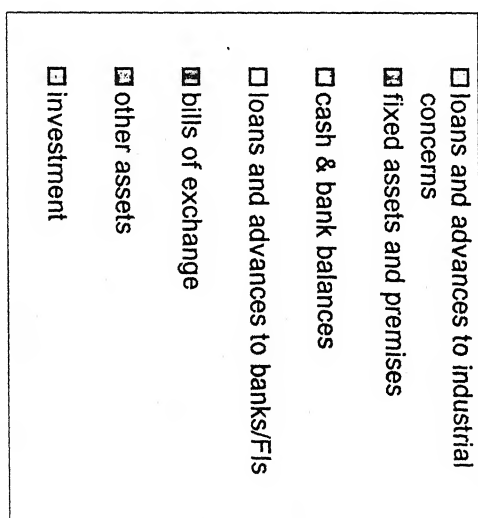
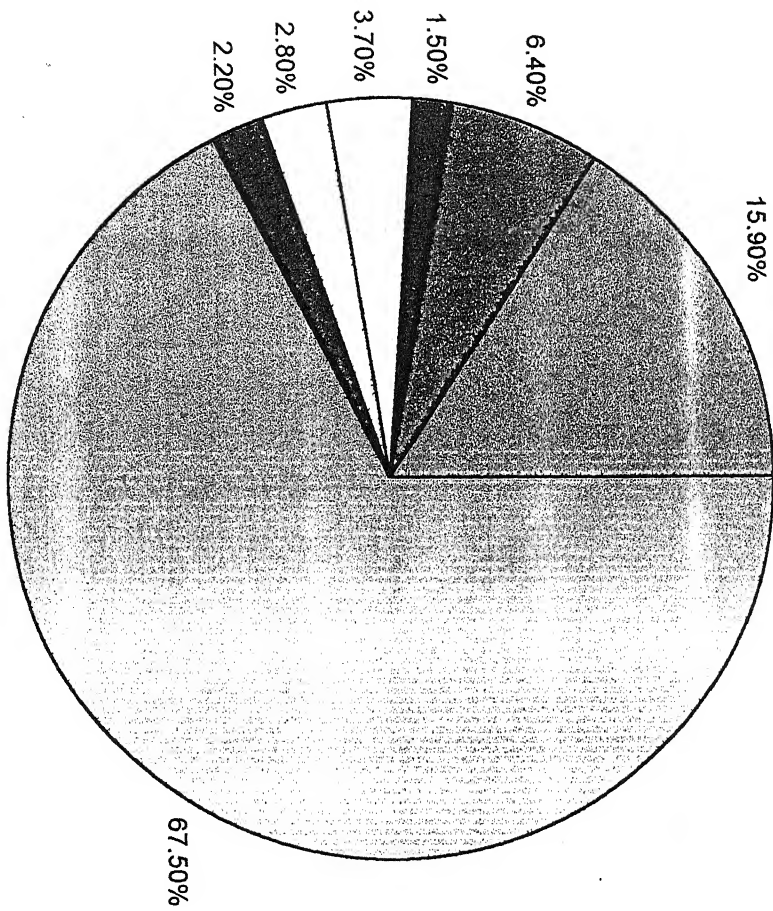
OPERATIONAL PERFORMANCE

Over the years, the Bank has transformed itself from a single-product landing institution into a diversified financial service provider for a corporate sector. The Bank offers a wide range of products and services, which include project loans, Rupee as well as Foreign Currency, corporate finance (including short-term/ working capital loans and structured financing products), venture capital, equipment leasing, bills-finance, re-financing of industrial loans as well as various fee-based services.

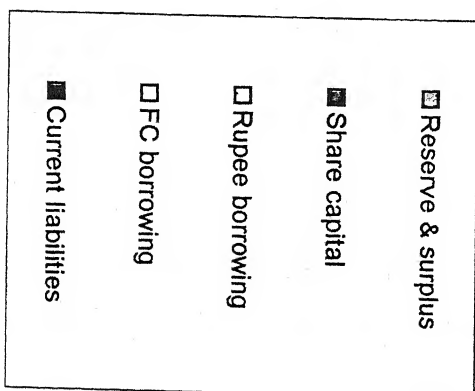
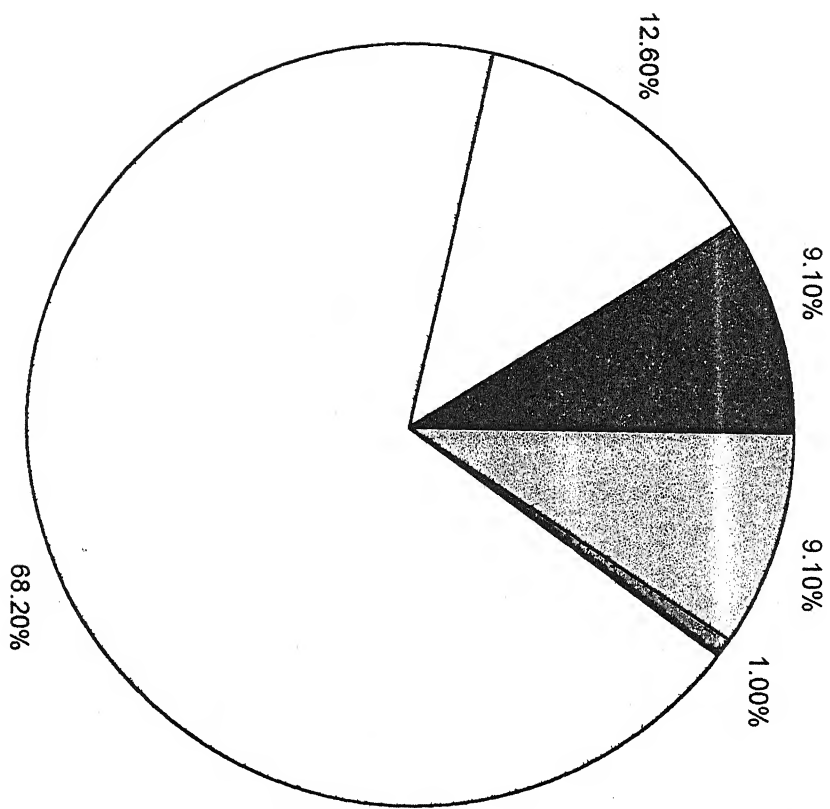
SANCTIONS

Sanctions under direct finance (project and non-project) products have increased tremendously. The figures from the year 1995-96 to date are shown by the following table : -

composition of assets as on March 31, 2002



composition of liabilities as on March 31, 2002



ANNUAL ACCOUNTS

The annual accounts for the Last 5 years are taken into study. Share capital, reserves and funds, gifts, grants, donation along with Bonds debentures, deposits Borrowing and current liabilities are covered for analysis and comparisons.

SHARE CAPITAL\ HISTORY OF IDBI:

The ownership of IDBI from 1964 to 1976 was with the Reserve Bank of India. The ownership was transferred to the Government of India with effect from February 16, 1976. The contribution to the share capital, since inception, was made by the RBI, (later transferred to the Government of India in 1976) / Government of India. Detail of the capital history is as under:

Year	Financial Yr.	No. Of equity shares	Face Value	Cumulative Share Capital
1964-65	from July to June 30	1,00,00,000	10,00,00,000	10,00,00,000
1966-67	from July to June 30	1,00,00,000	10,00,00,000	20,00,00,000
1970-71	from July to June 30	1,00,00,000	10,00,00,000	30,00,00,000
1971-72	from July to June 30	1,00,00,000	10,00,00,000	40,00,00,000
1973-74	from July to June 30	1,00,00,000	10,00,00,000	50,00,00,000
1977-78	from July to June 30	1,00,00,000	10,00,00,000	60,00,00,000
1978-79	from July to June 30	3,00,00,000	30,00,00,000	90,00,00,000
1979-80	from July to June 30	1,50,00,000	15,00,00,000	105,00,00,000
1980-81	from July to June 30	4,00,00,000	40,00,00,000	145,00,00,000
1981-82	from July to June 30	5,50,00,000	55,00,00,000	200,00,00,000
1982-83	from July to June 30	5,50,00,000	55,00,00,000	255,00,00,000

1983-84 from July to June 30	13,00,00,000	130,00,00,000	385,00,00,000
1984-85 from July to June 30	3,00,00,000	30,00,00,000	415,00,00,000
1985-86 from July to June 30	3,00,00,000	30,00,00,000	445,00,00,000
1986-87 from July to June 30	3,00,00,000	30,00,00,000	475,00,00,000
1987-88 from July to June 30	2,00,00,000	20,00,00,000	495,00,00,000
1988-89 from April to March31	4,50,00,000	45,00,00,000	540,00,00,000
1989-90	9,70,00,000	97,00,00,000	637,00,00,000
1990-91	6,60,00,000	66,00,00,000	703,00,00,000
1991-92	5,00,00,000	50,00,00,000	753,00,00,000
16-11-1994*	(25,30,00,000)	(253,00,00,000)	500,00,00,000
25-8-1995 (initial Public offer)	17,30,93,300	173,09,33,000	673,09,33,000
5-6-2000***	(24,70,00,000)	(247,00,00,000)	426,09,33,000
25-8-2000#	(1,80,74,300)	(18,07,43,000)	408,01,90,000
29-3-2001##	24,48,11,400	244,81,14,000	652,83,04,000

* Conversion of equity capital into redeemable preference shares, since redeemed.

*** The Government of India vide notification dated June 5, 2000 converted 24.70 crore equity shares into three year 13% redeemable preference shares (since redeemed) of Rs. 10 each aggregating 247 crore.

1,80,74,300 partly paid up equity shares of face value Rs. 10/- each were forfeited on August 25, 2000 and aggregate face value of Rs. 18,07,43,000 has been reduced from the subscribed and paid up equity capital.

24,48,11,400 fully paid equity shares of Rs. 10/- each issued as bonus shares on March 29, 2001 by capitalization of Capital Reserve of Rs. 4.52 crore and Share Premium of Rs. 240.29 crore in the ratio of 3:5 as per approval at EGM on January 23, 2001.

NOTES ON CAPITAL STRUCTURE

(I) The list of top ten shareholders of IDBI on the date of stock exchange filing December 18,2001 and the number of shares held by them is as follows.

Sr. No.	Name of the Share holder	No. of Shares
1.	Government of India	38,17,28,000
2.	Unit Trust of India	4,84,46,640
3.	Life Insurance Corporation of India	2,85,21,290
4.	State Bank of India	1,71,24,960
5.	General Insurance Corporation of India	35,60,962
6.	Export Import Bank Ltd.	32,00,000
7.	Bajaj Auto Ltd.	29,46,805
8.	IFCI Ltd	28,54,080
9.	Syndicate Bank	27,44,320
10.	ICICI Ltd.	27,11,520

(ii) The List of top ten shareholders 10 days prior to the date of Stock Exchange filing and the number of shares held by them is as follows.

No.	Sr. holder	Name of the Share holder	No. of Shares
1.		Government of India	38,17,28,000
2.		Unit Trust of India	4,84,46,640
3.		Life Insurance Corporation of India	2,85,21,290
4.		State Bank of India	1,71,24,960
5.		General Insurance Corporation of India	35,60,962
6.		Export Import Bank Ltd.	32,00,000
7.		Bajaj Auto Ltd.	29,46,805
8.		IFCI Ltd	28,54,080
9.		Syndicate Bank	27,44,320
10.		ICICI Ltd.	27,11,520

(iii) The list of top ten shareholders of IDBI, 2 year prior to the date of Stock Exchange filing and the number of share held by them is as follows:

Sr. No.	Name of the Share holder	No. of Shares
1.	Government of India	48,55,80,000
2.	Unit Trust of India	3,21,66,685
3.	Life Insurance Corporation of India	1,52,23,700
4.	State Bank of India	1,06,50,000
5.	General Insurance Corporation of India	32,57,000
6.	Export Import Bank Ltd.	20,71,703
7.	Bajaj Auto Ltd.	20,00,000
8.	IFCI Ltd	17,83,800
9.	Syndicate Bank	17,83,800
10.	ICICI Ltd.	17,17,800

The **Reserve Fund**: - Which amounted to Rs. 3477.8603 crore as on 31.9-99, increased to Rs. 4101.3843 crore as on 31 March 01. But in the year 2002-03 the amount of Reserve Fund brought down to Rs. 3808.0370 crore showing a reduction of 7.15% as compared to the year 2000-2001.

So far as the **Surplus** of DBI was concerned, it stood at Rs. 289.3248 crore as on 31 March 1999 but it came down to Rs. 200.9467 crore on March 31, 2000 showing a reduction of 30.5% as compared to the Previous yr. Again during 2000-2001 the surplus of the Bank increased to Rs. 623.3784 crore. But as on 31 March 2002 the surplus came down to Rs. 315.9850 crore showing a downfall of approx 49.3% as compared to the previous year. However this reduction of surplus was read because some the heavy transfers were made towards investment fluctuation reserve, capital reserves etc. But it cannot be denied that during 2001-2002 some heavy expenditure was made towards establishment and maintenance expenses and also towards printing and stationary etc. The surplus, which was reduced during the year 2001-2002 again showed an increase during 2002-2003. As per the balance sheet of the year 2002-2003, the surplus of Rs. 475.9656 Approx .was shown as on 31-3-2003, increase of 50.63% as compared to the previous year. During the year

2002-2003 a special reserve was created and maintained u/s 36(i) of I Tax Act under appropriation stood at Rs. 105.00 crore as on 31 march 2003.

As per the quarterly results of IDBI Bank Ltd., a net Profit of Rs. 37.64 crore for the quarter ended 31 March 2004 was shown as compared to the net profit of Rs. 16.64 crore for the quarter ended March 31, 2003.

The IDBI Bank has posted a net Profit of Rs. 132.45 crore for the year ended 31 march 2004 as compared to a net profit of Rs. 71.1 crore for the year ended 31 March 2003. Total income has increased from Rs. 763.14 crore in the year 2002-03 to Rs. 947.02 crore in the year 2003-04.

Investments made by IDBI were also read during the last 5 years. However the total investments made during the year 1999-2000 stood at Rs. 9616.53 crore, while Rs. 7852.97 crore were during the previous year. This increase of the year 2000 stood at 22.46% approx. as compared to the year 1999.

The **Investments** were Rs. 9537.29 crore as on 31 march 2001, increased to Rs. 10606.68 crore as on 31 march 2002, but came down to Rs. 10180.42 crore as on 31 March 2003. During the year 2002-2003, out of the total investments made, Rs. 919.3619 were towards the securities of central and state governments and Rs. 2855.1821 crore towards stock shares & debentures of financial institutions while Rs. 6405.8819 crore were invested towards shares and debentures of industrial concerns.

The **investments in Govt. securities** have increased tremendously during the year 2002-2003 as compared to the year 2001-2002. The increase of 578.6% was recorded during this period, although the direction of investments towards financial institutions and also towards industrial concerns have reduced. This reduction during 2002-2003 as compared to the year 2001-02 was recorded 31% and 14.8% respectively.

R B I guidelines for investments

In terms of extant Guidelines of the Reserve Bank of India, the entire investment portfolio is categorized as "Held to Maturity", "Available for Sale" and "Held for Trading." The investments under each category are further classified as i) Government securities, ii) other approved securities, iii) Shares, iv) Debentures and Bonds, v) Subsidiaries/joint ventures, vi) Others (CPs, Mutual Fund Units, etc.).

The debentures/bonds/equity and preference shares deemed to be in the nature of advance are subject to the usual prudential norms.

Investments acquired with the intention to hold till maturity are categorized under Held to Maturity. Diminution, other than temporary, in the value of investments in subsidiaries/joint ventures under this category is provided for each investment individually. Profit on sale of investments in this category is appropriated to the Capital Reserve Account at the end of financial year.

Investments acquired with the intention to trade by taking advantage of the short-term price/interest rate movements are categorized under Held for Trading. Net appreciation under any classification is ignored. The book value of individual scripts is not changed.

The basis for periodical valuation of investments categorised as Held for Trading and Available for follows:

Significant Account Policies of IDBI

Income is shown in the Profit & Loss Account.

Interest income, lease rentals and other dues are reckoned as accrued, in accordance with the directives issued by RBI from time to time regarding Income Recognition.

Underwriting/guarantee commissions are reckoned on accrual basis.

Front -end fees, loan syndication charges, appraisal fees, fees for merchant banking, debenture trusteeship and other financial services are accounted on cash basis.

Discount received in respect of Bills discounted/rediscounted, Commercial Paper and Certificates of Deposit is apportioned over the period of usance of the instruments.

The amount of Lease Equalisation representing the difference between the annual lease charge and the depreciation provided on leased assets in the books is adjusted in the Profit & loss Account with corresponding adjustment to the value of leased assets through a separate lease adjustment account.

The minimum dividend guaranteed by State Governments on shares held in the State Financial Corporations under section 6 of the State Financial Corporation Act, 1951 is recognised on realisation basis.

Final dividend on shares held in Industrial Concerns and Financial Institutions is recognised as income on dates of declaration and interim dividend is recognised as income when received.

The total **deposits** of IDBI, which stood at Rs. 2092.3011 crore as on March 31, 1999 came down to Rs. 1752.7390 on 31 March 2000, again increased to Rs. 2638.8964 crore as on 31 March 2001. The increase came to approx 26% as compared to the yr 1999. The deposits of the Bank as on 31 March 2003 came up to Rs. 4329.9081 crore which were Rs. 3383.4392 crore as on 31 March 2002. Naturally this increase of deposits recorded to 28% approx as compared to the previous year

Regarding the **borrowings** of IDBI, which include the borrowing from RBI, Government of India as well as other sources and foreign currency also have increased tremendously. The portion from RBI, which stood at Rs. 2000 crore in March 31, 1999 came down to Rs. 1740 crore on March 31, 2000. Again reduced to Rs. 1440 crore on March 31, 2001. Later the whole money

was returned as well. The money from Government of India under **World Bank Scheme** was Rs. 1216.6558 crore as on march 31.1999 came down to Rs. 1146.2320 crore on March 31.2000. This loan was returned during 2001-2002. The amount which stood at Rs. 1067.7366 crore on 31 march 2001, decreased to Rs. 14.0359 crore on march 31, 2002 and further came down to only Rs 5. 3678 crore as on march 2003. A much amount of loan was returned during the year 2002-03.

Foreign currency loan has also shown a handsome amount of borrowing from out side the country. The Amount which stood at Rs. 7753.9717 crore on march 31-1999 increased to Rs. 8267.89697 crore on March 31-2000 but again came down to Rs. 7719.6686 crore on March 31-2001. But since than the amount of borrowing reduced simultaneously. This reduction accounted for 6.45% in 2001, 9.54% in 2002 and 26% in 2003.

Borrowings from **other sources of IDBI** which stood at approx Rs. 675 crore on March 31-1999 were brought down to Rs. 75 crore only on March 31-2000. Again during 2001-02 the borrowing from other sources enhanced to Rs.119.7920 crore on 31 march 02 and to Rs. 235.4575 crore as on March 31.2003 the borrowing from the government of India, in addition to the interest free loan have also shown as greater part. This stood at Rs.239.1254 crore as on March 31-1999 came down to Rs. 220.1952 crore (down of Approx 8%) as on March 31.2000.

This amount of borrowings simultaneously reduced, as the bank returned this amount of loan. 8.37% in 2001, 8.64% in 2002, and 8.66% in 2003 respectively.

Current liabilities and Provisions:

As per the Balance Sheet of IDBI presented on March 31-1999, the total current liabilities and provisions stood at Rs. 7209.7460 crore, which came down to Rs. 5773.6220 crore on March 31,2000. But during the year

2000-01 the current liability of the Bank increased by Rs. 428.6441 crore. The current liability includes differed tax liabilities also. This liability reduced during the year 2002-03 by about 1415.53 crore.

Loans and Advances. :

IDBI has granted loans and advances to Scheduled Banks, State Cooperative Banks and other financial institutions and industrial concerns as well. IDBI granted loans to Scheduled Banks, cooperative banks and other financial institutions to the extent of Rs. 4603.03, crore on March 31-1999, which reduced to Rs. 3873.03 crore on, march 31-2000. Although the grant of loans to industrial concerns increased during this period. The amount of loan and grants which was Rs. 42735.05 crore on March 31-1999, increased to Rs. 46773.32 crore as on march 31-2000. This increase was recorded to 9.5% as compared to the 1999. The position of loans and advances during the last five years can be seen as under: -

Year (As on 31 March)	Total	Loans and advances to scheduled Bank, co-op. Bank and other financial institution	In crore of Rupees to Industrial concerns
1999	47338.57	4603.52	42735.05
2000	50762.70	3873.03	46889.67
2001	49335.71	3234.10	46101.61
2002	49681.09	2410.95	47034.19+ call money 235.95 %
2003	45568.75	2016.16	43552.59

The total loans and advances granted by IDBI in 2002 were more than the year 2003. A gradual reduction was recorded from the year 1999 onward to the year 2003.

FINANCIAL

The audited Financial Results for FY 2002 is given below.

CASH FLOW STATEMENT

The Cash Flow Statement of IDBI for the last two years is set out below: (Rs. Crore)

Year ended March 31,	2001	2002
Cash Flow From Operating Activities		
Net Profit before tax and extraordinary items Adjustments for:	733.97	414.91
(Profit)/Loss on sale of investments (Net)	(535.12)	(277.98)
Depreciation	229.77	223.03
Discount/Expenses on Bond issues written off	664.16	459.89
Provisions/write-offs of Loans/Investments & other provisions	993.10	3272.87
Withdrawn from Reserve u/s 36(1)(viii) of IT Act	-	(2500.26)
Deferred Tax Credit	-	19.38
Interest credited to Staff Welfare Fund/Other Funds	3.93	3.40
Operating Profit before Working Capital Changes	2089.81	1615.25
Adjustment for:		
Other Assets	(336.19)	(17.19)

Current Liabilities	448.43	931.47
Net Deferred Tax Liabilities Withdrawn from Reserves	-	(293.35)
Cash generated from operations	2202.05	2236.18
Payment of Income Tax/Interest Tax	(268.28)	(159.08)
Net Cash Flow from Operating Activities	1933.77	2077.10
B. Cash Flow from Investing Activities		
Purchase of/Advance towards Fixed Assets	(3.64)	(84.84)
Addition to Investments [adjusted for application money]	105.78	(311.67)
(Net if Sale/Redemption of Investments)		
Net Cash (used in)/raised from Investing Activities	102.14	(396.51)
C. Cash Flow from Financing Activities		
Reduction in share capital	(6.70)	0
Decrease in share premium	(240.20)	0
Reduction in premium on bond issue	(2.47)	0
Loans borrowed (net of repayments made)	(1351.73)	(2931.63)
Application money in respect of Flexi bonds/unsecured bonds	3.53	(4.47)
Loans lent, Bills discounted and rediscounted	546.63	952.05
(net of Repayments received)		
Receipts from borrowers pending appropriation	1.14	(60.07)
Purchase of / advance towards assets for leasing	(287.70)	60.33
Dividend paid on Equity Shares & tax on dividend	(336.21)	(232.91)
Expenditure out of Staff Welfare fund	(2.29)	(2.87)
Increase in reserve fund-capital reserve on account of forfeiture	38.91	0

Transfer from Reserve Fund to Provision/TDB	0	00
Sub Total	(1637.09)	(2310.57)
Sub-total	(1637.09)	(2310.57)
Adjustments for :		
ADB and ERAS exchange fluctuation	18.00	83.97
Difference in exchange on sale of foreign currency to RBI (to be adjusted on repurchase)	684.72	0
Write back to investment Equaliation Reserve	(182.87)	0
Receipts from borrowers in advance	216.72	(502.87)
Swap Adjustments account	83.83	6.60
Net cash (used in)/ raised from Financing Activities	(816.69)	(2722.87)
Net increase in Cash and Cash Equivalents	1219.22	(1042.27)
Opening Cash and Cash Equivalents	1819.59	3038.81
Closing Cash and Cash Equivalents @	3038.81	1996.54

@ Includes balances in call lending account Rs. 135.91 crore (previous year Rs. 673.64 crore) and short-term funds under BRS Rs. 20.00 crore (previous year NIL)

BALANCE SHEET

The Table below presents the summarized Balance Sheet of IDBI as at March 31, 1997 - March 31, 2002 and as on September 30, 2002.

As at March	1997	1998	1999	2000	2001	2002	Sept. 30, 2002
Cash and Bank Balance	1832	2228	4193	1608	2365	1841	1567
Investments	4946	5823	7853	9617	9709	10607	12440
Loans Advances	35444	42570	47339	50763	51606	47429	44758
Bills of Exchange and	3091	2785	2336	2111	1443	985	851

Promissory Notes							
Premises	292	295	296	310	302	295	291
Other Fixed Assets	860	1048	1143	1283	1349	1193	1088
Other Assets	3864	5208	5983	6594	5009	4293	4422
Total Assets	50329	59957	69143	72285	71783	66643	65417
Current Liabilities and Provisions	5255	6098	7210	5889	6202	6066	5063
Borrowings	10364	11310	1185	11449	9963	6879	6211
Deposits	3694	5296	2092	1753	2639	3384	5335
Bonds and Debentures	23803	28914	38990	43976	43817	43919	41969
Total Liabilities	43116	51618	60177	63067	62621	59948	58578
(Excluding Capital & Reserve)							
Equity Capital	659	659	660	660	653	653	653
Reserves, Funds and Surplus	6554	7680	8306	8558	8509	6042*	6186
Total Capital and Reserves	7213	8339	8966	9218	9162	6695	6839
Total Liabilities, Capital And Reserves	50329	59957	69143	72285	71783	66643	65417
Book Value per Equity Share (Rs.)	105.8	118.9	129.2	134.1	139.8	101.9	104.3

* Accelerated write-off of bad and doubtful debts of Rs. 2500 crore has been made by drawing the equivalent amount from special Reserve u/s 36 (1) (viii) of the income Tax Act, 1961.

BALANCE SHEET

The Table below presents the summarized Balance Sheet of IDBI as at March 31, 1997 - March 31, 2002 and as on September 30, 2002.

Year ended March 31	1997	1998	1999	2000	2001	2002	For 6 Mo er Se 30 20

A. INCOME FROM OPERATIONS*

Interest and Discount Income	5058	6008	6359	6225	6191	5862	2709
Income from investments	520	523	694	818	757	761	407
Commission and Brokerage etc	196	203	176	194	188	130	37
Net profit on sale of investments	53	73	62	382	535	278	109
Other income	137	125	173	240	164	145	54
Total Income	5964	6932	7464	7859	7835	7176	3316
B. Expenditure							
Interest on Deposits, borrowings, etc.	4153	4734	5725	6370	6595	6250	2927
Establishment Expenses Accelerated rite - off of Bad and Doubtful Debts	65	62	76	74	84	117	44
Less : Withdrawn from Special Reserve u/s 36 (1) (vii) of IT Act						2500	
						(2500)	
Depreciation	151	172	200	213	230	223	103
Other Expenditure	113	164	162	175	192	171	96
Total Expenditure	4482	5132	6163	6833	7101	6761	3170
Net Profit (NP) before Tax and Extraordinary items	1482	1800	1301	1027	734	415	146
Less : Provision for Tax	401	299	75	80	43	(10)	(12)
Add : Deferred Tax Credit	-	-	-	-	-	19	18
NP before Extraordinary Items	1081	1501	1226	947	691	424	152
Extra - Ordinary Items **	63	-	33	-	-	-	-
Net Profit as per Audited Accounts	1144	1501	1259	947	691	424	152
Prior period items	17	3	4	(3)	(3)	(13)	-
Diminution in value of Investments	-	-	-	-	68	-	-
Adjusted Profit After Tax	1098	1504	1263	944	756	411	152

The above figures have been rounded off to the nearest crore.

* After meeting of bad debts and making provisions for bad and doubtful debts and other necessary and Expedient provisions.

** Write back of excess income/interest tax provisions/lease equalisation adj.

With the Summarized table, presenting profit and loss account of IDBI for the years ended march 31, 1997- March 31, 2003, it is evident that, there has been a considerable up's and down's in the various financial results.

Income from Operations: -

The total income of IDBI, which was Rs. 5964 crore in 1997 increased in the year 1998 by Rs. 968 crore. Again it increased by Rs. 532 crore in the year 1999. Similarly it increased by Rs.395 crore in the year 2000. But After that there has been continuous downfall in the total income of IDBI. The decline of income in the year 2001, 2002 and 2003 has been recorded as Rs. 24 crore Rs., 659 crore and Rs. 805 crore respectively. The Published records of IDBI shows that the continuous increase of income in the year 2000 has been 31.77% as compared to the year 1997. But a simultaneous downfall of income in the year 2003 has been 18.93% as compared to the year 2000 and 18.68% as compared to the year 2001 and 11.22% as compared to the year 2002.

Hear it is found that the year 2001 has been the year of declining income from operation of IDBI. Income from investments, income from commission and Brokerage, and also the interest and discount income declined in the year 2001 as compared to previous year.

However this decline in the year 2001 is computed as under: -

.546 % in the interest and discount income

7.457 % in the income from investment

3.093% in commission and Brokerage.

It is important to mention that during this year (2001) a good amount of profit on sale of investment was earned, which was Rs. 153 crore.

Expenditure:

So far as the expenditure of IDBI are concerned, it will be worth noting to analysis.

The interest on deposits, which was paid by IDBI, has continuously increased (Every year) up to the year 2001. But since then they decreased in the year 2002 and also in the year 2003. Regarding establishment expenses, it is very important to mention that the period of 1997 – 2003 has seen a tremendous increase.

In 1997 the establishment expenses, which stood at Rs. 65 crore, were cut – short to Rs. 62 crore in 1998, but rose again to Rs. 76 crore in 1999. This trend of increasing expenditure can be typecast in further years as Rs. 84 crore in 2001, Rs. 117 crore in 2002, and Rs. 95 crore in 2003.

A similar trend of expenditure can be seen in case of depreciation and also in other expenditure. There has been a continuous increase in these expenses, which require a special attention towards their restriction and control.

Here, it will be worth mentioning that a special attention is also required towards the continuous down fall in the net profit of IDBI.

The net profit of Rs. 1501 crore of IDBI, in the year 1998, has gone down to Rs. 691 crore only, in the year 2001. This profit again reduced to Rs. 424 crore in the year 2002 and Rs. 401 crore in the year 2003. A continuous downfall of profits is a deteriorating scene for IDBI, which should be strictly controlled. However this downfall can be a cause of increased expenses, towards establishment and other expenditures.

**PERFORMANCE OF IDBI DURING THE QUARTER/NINE
MONTHS ENDED DECEMBER 31, 2003 PERFORMANCE
DURING 9MFY04**

IDBI sanctions zoom by 230%; disbursements scale 74%

PBT spurts by 33% PAT increases by 16% to Rs. 223 crore Q3

FY04 RESULTS

PBT jumps by 26 %

PAT moves up by 18% to Rs. 47 crore

The audited financial results of the Industrial Development Bank of India (IDBI) for the quarter/nine month period (9M) ended December 2003 were approved by its Board of Directors at its meeting held in Mumbai on January 30, 2004.

Financial Performance

The Bank's operations during the reporting quarter (October-December 2003) resulted in Profit before Provisions, Depreciation and Tax of Rs. 435 crore as against Rs. 315 crore achieved during the corresponding quarter of the previous financial year, representing a rise of 38%. Profit before Tax (PBT) at Rs. 53 crore represents an increase of 26% from Q3FY03 level of Rs. 42 crore. This is notwithstanding an increase of 75% in provisioning for

bad and doubtful debts/investments, from Rs. 222 crore during Q3FY2003 to Rs. 389 crore during the quarter under review. After making a tax provision of Rs. 6 crore (net of deferred tax credit), Profit After Tax (PAT) amounts to Rs. 47 crore. At this level, PAT for the quarter is higher by 18% than in the corresponding period of FY 2003 (Rs. 40 crore).

Total income during the current quarter stood at Rs. 1665 crore as compared to Rs. 1824 crore earned in the comparable quarter of the previous financial year. Total expenditure during this period stood at Rs. 1230 crore, which was lower by Rs. 279 crore from October-December 2002 levels (Rs.1509 crore). This was primarily owing to a steep decline of 20% in interest cost during the quarter.

For the nine month period ended December 2003, total income stood at Rs. 5006 crore while total expenditure aggregated Rs. 3749 crore. PBT moved up significantly by 33% to Rs. 250 crore from a level of Rs. 189 crore obtaining during April-December 2002 while PAT during the same period at Rs. 223 crore is higher by 16% than in the corresponding period of FY 2003 (Rs. 193 crore). It is noteworthy that IDBI has achieved a profit of this magnitude despite providing for bad and doubtful debts/investments of the order of Rs. 925 crore,

which is 40% more than during the corresponding period of 2002-03 (Rs. 660 crore).

Aggregate assets as on December 31, 2003 stood at Rs. 62998 crore, which includes outstanding business assets of Rs. 58783 crore. EPS (non-annualized) for the quarter and nine-month period ended December 31, 2003 works out to Rs. 0.71 and Rs. 3.42 respectively as against Rs.0.62 and Rs. 2.95 for corresponding quarter and nine-month ended December 31, 2002.

Operational Performance

Aggregate sanctions under all schemes of assistance during April-December 2003 aggregated Rs.4409 crore, representing an increase of nearly 230% from 9MFY03 levels (Rs. 1338 crore). Disbursements during the same period at Rs. 3347 crore were also higher by 74% as compared to disbursement volumes obtaining during April-December 2002 (Rs.1921 crore). Sanctions and disbursements to infrastructure sector constituents moved up by 362% and 108% respectively during April-December 2003, accounting for 47% and 32% of total sanctions and disbursements respectively during this period.

In 1995-96, IDBI's net profit crossed the Rs 1,000-mark to reach Rs 1,007 crore (Rs 10.07 billion). The following year, it rose to Rs 1,144 crore (Rs 11.44 billion) and in fiscal year 1998, net profit zoomed to Rs 1,501 crore (Rs 15.01 billion). That was the end of the heady days. Net profit slumped from Rs 1,259 crore (Rs 12.59 billion) in fiscal year 1999 to Rs 401 crore (Rs 4.01 billion) in 2003.

Sanctions and disbursements of the institution have also been on a downslide. For instance, over the last three years, sanctions dropped by over 87 per cent from Rs 23,178 crore (Rs 231.78 billion) in 2001 to Rs 2,889 crore (Rs 28.89 billion) in 2003 and disbursements dropped by close to 78 per cent from Rs 17,747 crore (Rs 177.47 billion) to Rs 3,924 crore (Rs 39.24 billion).

The only rise has been seen in IDBI's NPAs. The gross NPA during the three-year period went up from Rs 9,849 crore (Rs 98.49 billion) to Rs 16,006 crore (Rs 160.06 billion).

Despite huge provisioning, the net NPA in percentage terms is going up (from 13.44 per cent in fiscal 2001 to 14.16 per cent in 2003) as the asset base is shrinking (from Rs 71,783 crore in 2001 to Rs 63,115 crore in 2003).

Resources

Total borrowings/drawals (both in rupees and foreign currency) during April-December 2003 stood at Rs. 10,036 crore compared to an amount of Rs. 8524 crore raised during April-December 2002. The rupee borrowings aggregating Rs. 9565 crore comprised mobilisation through Omni Bonds (Rs. 6464 crore), Public Bonds under Flexibonds-18 &19 (Rs. 1074 crore), 'Suvidha' Fixed Deposits (Rs. 630 crore), Certificates of Deposit (Rs. 7 crore), IDBI Corporate Deposits (Rs. 635 crore) and Commercial Paper (Rs. 755 crore). Foreign Currency borrowings/drawals during the period amounted to Rs. 471 crore as against Rs. 401 crore raised during April-December 2002.

The cost of incremental rupee borrowing during April-December 2003 at 6.63% per annum was significantly lower by 200 basis points as compared to 8.63% prevailing during April-December 2002. The average maturity of such borrowings during this period was 4.27 years (2.79 years during April-December 2002).

Business Outlook and Strategic Initiatives-

A robust growth of 8.4% in India's GDP in the second quarter of FY2004 along with observed sustained buoyancy in various sectors of the economy has led to a significant upturn in overall growth prospects for 2003-04 from previous quarter levels. On current reckoning and echoing official pronouncements in this regard, overall GDP is poised to rise by at least 7% during the current year, relative to 2002-03, with continued upward bias.

From an IDBI perspective, the continuing momentum of industrial growth during the first eight months of the current financial year, spearheaded by manufacturing, is particularly propitious. The 'feel-good' factor in this sector, flowing primarily from a strong rebound in agricultural activity and its expected multiplier effect on rural industrial demand, conducive liquidity and interest rate environment, supportive capital market conditions, discernible all-round corporate profitability together with a visibly improving global economic performance, have been catalysed further by a series of policy inducements (tax concessions, liberalised ECB norms, freer export-import norms etc.) early into calendar 2004.

While incremental demand has so far been, by and large, addressed by extant capacity and balancing out of inventories, visibly

improved investment sentiments and business confidence spanning most sectors herald a proximate and pronounced pick-up in industrial investment. This is eloquently borne out by the spurt, albeit somewhat back-loaded, in institutional sanctions during the current financial year to December 2003.

There is cautious optimism that the observed vitality in economic performance, the revival in fortunes of old economy sectors like cement, steel etc. and the re-establishment of a conducive investment climate would positively influence the Bank's working and quality of its portfolio during the current financial year and beyond.

IDBI is simultaneously gearing up to reinvent itself by transmigrating to a viable and profitable business model following the passage of the IDBI (Transfer of Undertaking and Repeal) Bill 2002 in the recently concluded Winter Session of Parliament.

The Bill, which provides for repeal of the IDBI Act, 1964, corporatisation of IDBI and transformation into a commercial bank, has also received the assent of the President of India (converting the Bill into an Act) and currently awaits notification in the Official Gazette. Subsequently, the "appointed date" for conversion into a banking company and commencement of banking operations would

be notified after the fulfillment of the formalities connected with the incorporation of a new company under the Companies Act, 1956.

The Act envisages transfer of all the assets and liabilities of the extant IDBI into a company (under the Companies Act) bearing the appellation "Industrial Development Bank of India Ltd. (IDBI Ltd.)" to transact banking business. All the existing shareholders of IDBI would automatically become shareholders of the banking company.

The new entity will not require a separate banking licence to be issued by the Reserve Bank of India under the Banking Regulation Act 1949 because it is deemed to be a banking company in terms of the provisions of the operations as branch licensing falls under a separate section of the Banking Regulation (BR) Act. Further, the only regulatory forbearance provided in the Act is in respect of maintenance of Statutory Liquidity Ratio (SLR) at the prescribed levels for a period of five years from the 'appointed date'. The crucial covenant in the Act is the mandatory continuance of its secular development finance role or term lending to industry even in its new avatar while the foray into the entire gamut of banking activities is enabling. The migration to the new business model of commercial banking, with its gateway to low-cost current/savings bank deposits,

would help overcome one of the primary limitations of the current business model of development finance that inhibited competitive pricing of loan products and adversely impacted IDBI's legacy client base.

The migration to the new banking model would involve a paradigm shift with consequential implications for IDBI's business and resource mix, organisation structure, technology platform, re-orientation of its human capital, indeed in the entire mindset and modus operandi in which business is conducted. IDBI had been assiduously drawing up tentative roadmaps for a smooth transition into the new banking entity even while the Bill was under the consideration of Parliament.

The passage of the Bill has given its strategic endeavours more assured and firmer moorings even as rollout plans gather renewed momentum. A checklist of preparatory steps has been drawn up, with clearly stated deadlines for each of them, so that necessary approvals, infrastructure, technology and trained human capital are in place by the 'appointed date', as and when notified.

Pari passu, IDBI would, within the confines of its DFI role, continue to pursue its extant policy of concentrating fresh assistance to sectors/client as well as other expenditure.

FINANCIAL RESULTS FOR THE QUARTER /NINE MONTHS ENDED
DECEMBER 31, 2003

(Rs. Crore)

Sr. no	Particulars	1	2	3	4	5
		Quarter ended 31-12-03 (Audited)	Quarter ended 31-12-02 (Unaudited)	Nine- Months ended 31-12-03 (Audited)	Nine- Months ended 31-12-02 (Unaudited)	Accounting year ended 31-03-03 (Audited)
1	Income from operations	1639	1797	4934	5497	7337
2	Other income	26	27	72	81	144
3	Total Expenditure					
	(a) Staff cost	25	21	75	62	88
	(b) Bond issue expenses w/off	17	12	53	47	72
	(c) Other Expenditure	28	29	80	93	123
	Total Expenditure (except interest cost)	70	62	208	202	283
4	Interest Cost	1160	1447	3541	4373	5434
5	Profit before Depreciation and provision (1+2-3-4)	435	315	1257	1003	1764
6	Depreciation	(7)	51	82	154	199

7	Bad and doubtful debts/ investments written-off/ provided for	389	222	925	660	1110
8	Profit before tax (5-6-7)	53	42	250	189	455
9	Provision for taxation (net of Deferred tax)	6	2	27	(4)	54
10	Net profit (8-9)	47	40	223	193	401
11	Paid up Equity Share Capital (Face value Rs. 10 per share)	653	653	653	653	653
12	Reserves excluding Revaluation Reserves					6292
13	Earning Per Share (Rs.) (not annualised) -Basic/ Diluted	0.71	0.62	3.42	2.95	6.15
14	Aggregate of Non-Promoter shareholding					
	-Number of shares	271102400	271102400	271102400	271102400	271102400
	-Percentage of shareholding	41.53	41.53	41.53	41.53	41.53

Notes:

The Board of Directors at their meeting held on January 30, 2004 has taken the above results on record.

The Industrial Development Bank (Transfer of Undertaking and Repeal) Bill, 2003 received the assent of The President and has become an Act of Parliament. The Act envisages that with effect from appointed day the undertaking of IDBI will be transferred to and vest in the Industrial Development Bank of India Limited which shall carry on banking business in addition to the business which may be carried on by IDBI. The appointed day is yet to be notified.

The working results for quarter / nine months ended 31st December 2003 have been arrived at after considering provisions for Bad & Doubtful Debts, Income Tax (after considering deferred tax adjustments as per AS-22 of ICAI) and other usual and necessary provisions on an estimated basis.

In case of investments classified under Available for Sale, valuation thereof is made on yearly basis.

There are no reportable segments under Accounting Standard 17 as the bank's operations predominantly comprise of only one segment i.e. Wholesale Banking.

There were no pending investor complaints as on October 1, 2003. During the quarter, the bank received 13009 investor complaints. 12981 complaints were redressed during the quarter and 28 complaints are lying unresolved at the end of the quarter.

The figures of the previous year / period have been regrouped wherever required.

Place : Mumbai
January 30, 2004

By order of the Board
sd/-
(M. Damodaran)
Chairman & Managing Director.

IDBI: Agony Of Reincarnation

It was clear from the inception of reforms in 1991 that the days of development finance institutions (DFI) were over. Yet, the Industrial Development Bank of India (IDBI) felt that it was the pet of the government as it could be the outlet for patronage and the Reserve Bank of India was ordered by the government to treat it with kid gloves. Following the Narasimhaman Committee II in 1998, far from being a source of largesse, IDBI was in need for injection of funds. Suddenly, the IDBI lost its “friends”.

The Industrial Finance Corporation of India and the Industrial and Investment Bank of India are only waiting to be taken over by IDBI. Nothing could be worse for IDBI. Any restructuring that IDBI goes through should be on a stand-alone basis.

IDBI has got away with a bonanza of concessions particularly on reserve requirements. It has wasted seven years arguing for concessions and now has actually got them. Let us say that IDBI actually starts operating as a bank in October 2004 and somewhere down the line, merges with another bank. How are the concessions on reserve requirements going to work? The RBI needs to move away from these vague exemptions. The RBI should stipulate

that on a merger with a bank, the issue of reserve requirements would be reconsidered de novo.

IDBI seems to be picking on losing propositions. The idea of using the branches of the Stock Holding Corporation of India (SHCIL) as bank branches of IDBI seems to be a very poor option. SHCIL has no real banking experience and there would be little value added from such an arrangement.

The real sensible thing to do is to merge IDBI and IDBI Bank. What is probably holding things back is that how could a giant undertake a reserve merger with its small subsidiary. If it is only a matter of prestige, as soon as IDBI gets a banking license, IDBI Bank could merge with it. It must be recognised that both IDBI and IDBI Bank are listed companies and the due processes of merger should be gone through. It would take 12-24 months for the merger to be effective. But one must remember that mergers are hazardous and many mergers fail. Mergers are disruptive, they are treacherous and the path is full of unexpected booby traps. Bloodshed is integral to mergers and the world over, mergers have invariably not been successful. IDBI, one hopes, would not get into mergers with eyes wide shut!

The whole issue of suitors lining up to merge with Infrastructure Development Finance Company (IDFC) is principally because of the Rs 50,000 crore Infrastructure Fund envisaged by the government. The issue of whether IDFC should be run as a private or a public sector organisation has its genesis in problems at the time of conception of the IDFC.

The public sector had to dish out large amounts of money to set up the IDFC showpiece but had little say in its running. Sooner or later, ugly issues were bound to come out in the open, as indeed they have done. Now, the short point is that while the government is trying to deal with the problems of IDFC, IDBI has enough problems of its own to enter the fray of trying to have IDFC merge with it. IDBI must recognise that if it is to quickly become a bank, it should work towards that specific goal and not get embroiled in extraneous issues like IDFC. Furthermore, IDBI should not agree to a merger with any other DFIs.

The merger of IDBI-IDBI Bank is the natural course of merger and the IDBI should not fight shy of it. Too much time has been lost in the earlier personality clashes and IDBI and IDBI Bank must quickly get down to the nitty gritty of the merger. Even a merger within the same stable can be blood-letting and a serious effort must

be made to minimise the problems associated with a merger. Let it be recognised that a merger with a totally alien bank would imply a lot more adjustment and it must be remembered that there is no such thing as a bloodless merge.

While the Standing Committee on Finance has stressed that the long-term development role of IDBI should continue, the question relates to the wherewithal for such activity. Neither the government nor the RBI have any such funds and in a sense, this burden on IDBI would not be fair unless resources are clearly earmarked.

Both IDBI and *IDBI Bank* are listed companies: To the extent the prevailing prudential norms are to be applied strictly — and they should be — IDBI could end up with a dent in its balance sheet. It would be wrong on the part of the regulator to alter the prudential norms merely because it is inconvenient to an institution. The Indian financial system has suffered enough from such regulatory forbearance and the time has come to cry halt to such weak regulation.

IDBI should not attempt to prolong the reserve requirement concessions. In fact, the faster it gives up the concession, the better it is for the long-term strength of IDBI. After all, what saved the Indian banking system in the devastation of the eighties and early nineties was the large reserve requirements. IDBI must look upon

reserve requirements as a line of defence and not merely as a regulatory chore.

In the ultimate analysis, what matters is not how many branches IDBI has, but how well they are integrated and how strategically they are placed. IDBI must concentrate on its area of strength which is clearly not mass banking. Merger with other DFIs (including IDFC) could be a disaster for IDBI.

IDBI is now unequivocally thinking about a merger with IDBI Bank. A merger in the same family has to be handled with great care. There are legal tangles which are best addressed early on and the interests of minority shareholders should be handled with care. At long last, IDBI has veered around to the logical solution!

IDBI bank in expansion mode to open 28 new branches

Mumbai : Technology-driven Generation-next bank, idbi bank, has finalised its blueprint to expand its network by opening 28 new branches across the country thus giving a boost to its fresh growth plans.

IDBI bank, which at present has 92 branches and 7 extension counters, has planned its new branch network in urban as well as semi-urban areas with 10 in the west zone, 9 in the north, seven in the south and two branches in the east. The bank has already

received RBI approvals for the new branches. Idbi bank has presence in 69 cities with a pan-India distribution, which will increase to 87 cities after the expansion.

Announcing the aggressive expansion plans, IDBI bank Managing Director Mr. G V Nageswara Rao said: “We are one of the fastest growing banks in the country. We achieved growth of 28% in deposits and 49 % in customer assets in Q3 2004, by leveraging the existing network of branches. It is time now to expand our distribution footprint for which we have drawn up plans to further expand the number of branches by 30% in the next six months. Our business growth targets for the next year are fairly ambitious.”

The bank, known for its young and energetic teams on all fronts, will scout for fresh talent to ramp up its HR. This will provide excellent and challenging opportunities for the emerging talent pool.

On the spread of the new branches, Mr. Rao said: “We are looking at a mixed strategy. We will increase our density in metros. Also, we will enter new Tier-III markets where we see business potential.” Idbi bank will be setting up additional branches in Mumbai and Delhi. Tier-III markets where the bank will establish new branches include Moradabad, Panipat and Bikaner in north; Kolhapur and Nashik in west; Erode, Tirupur, Kakinada and Rajahmundry in south; and Gangtok and Guwahati in east.

The Bank has recently raised a fresh capital of Rs 130 crores as Tier-II capital to power drive its expansion plans.

While strengthening its position in traditional areas of business like retail and corporate banking, idbi bank has made successful forays into Government Business securing CBDT and CBEC mandates to collect income tax and excise and service charges respectively. This initiative gives the Bank access to big businesses, further catalyzing its growth plans.

CHAPTER 5

IMPACT OF ASSISTANCE PROVIDED

BY IDBI

WORKING AND IT'S EVALUATION

The Industrial Development Bank of India Act 1964 governs IDBI, being a statutory organization. The IDBI Act regulates the functions and business along with the overall working of IDBI. In addition, IDBI being a financial institution is subject to regulatory supervision by RBI. Section 45L of the Reserve Bank of India act, 1934 empowers RBI inter alia to call for certain information relating to the business of IDBI and give directions relating to the conduct of it's business.

IDBI considers the business plans and resource forecasts and State Financial Corporation (S.F.C) and State Industrial Development Corporations to evaluate their fund requirements limits for refinancing and lines of credit are fixed taking into consideration other resources available¹. The credit committee, which is empowered for sanctions and disbursements, has got the following functions: -

- Screening the proposals for assistance received at the head office for a detailed appraisal.
- Sanctioning assistance under the powers delegated to it by the board of directors from time to time.

- Reviewing the progress / performance of assisted projects periodically and take necessary actions.
- Review the quality of the portfolio, asset classification, provisioning etc. at quarterly intervals.
- Review the policies, products, pricing etc. relating to direct finance operations and initiate action, as may be considered necessary.

PRODUCTS AND SERVICES

IDBI provides project-related finance for the establishment of new industrial projects as well as for expansion, diversification and modernization of existing industrial enterprises. In view of the changed financial needs of the industries, IDBI has also designed other products to meet the short term funding, core working capital and treasury requirements of the industrial clients. IDBI also extends non-fund-based assistance, advisory services, Forex services etc. IDBI has also set up specialized subsidiaries and associates to extend mutual fund products, capital market services, banking services as also registrar and transfer agent services.

IDBI currently offers the following major products and services to industrial concerns.

1. DIRECT FINANCE

The direct finance refers to the provision of finance, directly to an industrial unit, without the involvement of an intermediary financial institution. During the year 2001-02, approximately 95% of total sanctions and 93% of total disbursements were accounted for by direct finance. ²

¹... The credit committee is empowered to sanction assistance upto specified limits with respect to head office cases and cases from branches wherever it exceeds the power of zonal committee. Cases for assistance above the threshold limits of the credit committee are referred to the executive committee. The credit committee comprises of an executive director as the chairman, four other directors and one chief general manager from the corporate finance department as the members of the committee. Chief General managers/ General managers of the treasury and funding division ALM Group, General manager (Legal) the General managers from other operational departments are invited as participants

²...Offer document – flexi bonds 18 – IDBI march 2003.

SANCTIONS AND DISBURSEMENTS

Despite recovery in the industrial sector, investment climate during the major part of the financial year 2002-03 remained subdued. The depressed investment climate is reflected in sluggish capital market, low demand for project assistance, particularly from traditional commodity sectors and delayed project implementation. This inevitably affected the Bank's operations. As the increased industrial production resulted mostly from existing unutilized capacity, there was no significant investment in fresh capacity creation. Hence, demand for project financing continued to be sluggish. As regards the commercial banks, the significant increase in credit during the year was brought about largely by increase in consumer finance and housing finance.

Total assistance sanctioned under all the products by the Bank aggregated at Rs. 2889 crore in 2002-03 (Table) Disbursements during the year amounted to Rs. 3924 crore

Overall Operations			(Rs. Crore)	
Products	Sanctions		Disbursements	
Direct Assistance	12677.7	2630.0	10326.4	3692.5
Project Finance	4447.0	557.1	3219.8	1329.7
Loans	3532.7	421.3	3118.5	1247.4
Rupee Loans	3047.9	396.5	2532.9	789.8
Foreign Currency Loans	484.8	24.8	585.6	457.6
Underwriting & Direct Subscriptions	511.6	104.6	101.3	82.3
Deferred Payment Guarantees	402.7	31.2	-	-
Non Project Finance	8230.7	2078.9	7106.6	2362.8

ACS*/EFS**/ Corporate Loans	2543.0	666.6	1782.4	996.9
Working Capital / Short Term Loans	2894.6	1281.7	2521.5	1308.5
Equipment Leasing	12.0	-	12.0	-
Investments	2781.1	130.6	2790.7	57.4
Refinance	187.3	-	158.8	-
Bills Rediscounting	95.0	80.8	63.5	56.4
Direct Discounting	28.0	6.0	21.4	4.4
Loans to and Investments in shares/bonds of FLs@	290.9	52.7	349.0	53.8
Secondary Market Operations	226.3	113.6	231.9	117.1
Total	13505.2	2889.1	11151.0	3924.2

* ACS Asset Credit Scheme, ** EFS - Equipment Finance Scheme @ includes assistance to non-bank finance companies.

Source: IDBI Annual Report 2002-2003.

The share of refineries and oil exploration at 26.3% in the overall sanction in 2002-03 was the largest, followed by financial services (24.1%), telecom services (7.5%) hotels (4.1%) and textiles (3.8%). These five industries together accounted for 65.8% of total sanctions and 51.4% of total disbursements during 2002-03. The industry-wise trend as obtaining during the year indicates that services claimed the largest share in the Bank's financing.

Assistance sanctioned to the infrastructure sector during 2002 – 03 amounted to Rs. 440.4 crore, accounting for 16.2% of the overall sanctions made

during the year, as against 24.4% in 2001 –02. Telecom and power had the major share in the total funding for infrastructure sector.

Project Finance:

Sanctions and disbursements under project finance during 2002-03 stood at Rs. 557.1 crore and Rs. 1329.7 crore respectively. In 2002-03, the top five industries, which were sanctioned assistance under project finance, were telecom services (Rs. 105 crore), ports (Rs. 75 crore), Tyres & tubes (Rs. 73 crore), automobiles (Rs., 40 crore) and roads & bridges (Rs. 40 crore).

Year	Sanctions by IDBI	(Rs Crore) Disbursements
1990-91	6278.3	4501.1
91-92	6590.2	5768.8
92-93	9249.4	6710.7
93-94	12056.9	8088.6
94-95	18262.6	10648.1
95-96	17795.8	10692.8
96-97	17049.9	11439.0
97-98	20632.0	15370.0
98-99	20843	14473
1999-2000	23713	17063
2000-2001	25418	17474
2001-2002	22681.7	17078.6
2002-2003	13851.7	10679.0
2003-2004 (5m)	7695.1	4028.4

Source - RBI Search results

With the above table it is evident that there has been a wide variation of loans sanctioned by IDBI. Similarly this trend envisaged in disbursements also.

However, strong efforts in this connection were seem to be not made effectively by IDBI.

IDBI provides, direct finance by way of term loans, both in rupees and foreign currencies, besides providing support by way of underwriting and direct subscription to shares / Debentures and in the form of deferred payment guarantees

From the aforesaid analysis it is quite evident that there exists a wide gap between sanctions and disbursements made by the IDBI in all types of schemes of assistance. Therefore, we can conclude that IDBI failed to reduce the gap between sanctions and disbursements.

The hypothesis is examined by taking into consideration the percentage of sanctions made to different categories of industries as at the end of March 1940 and 2002. The share of traditional industries stood at 33.9 percent as on 1992 and decreased to 25.2 percent as on 2002. On the other hand, the share of priority industries considerably increased from 55.6 percent as in 1992 to 64.6 percent as in 2002. During the entire ten years of study, it is observed that the IDBI concentrated more on the priority industries than the traditional ones.

If we look at the industry - wise distribution of project finance assistance sanctioned by IDBI the share of traditional industries recorded at 49.22 percent as on end of March 1982. It declined to 31.90 percent as at the end of March 1992. Whereas, the share of priority industries considerably increased from 49.18 percent as on 1982 to 62.66 percent as on 1992. Under this scheme, IDBI played a vital role in the development of priority industries but not for traditional ones.

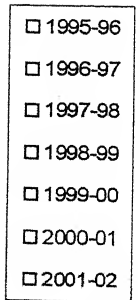
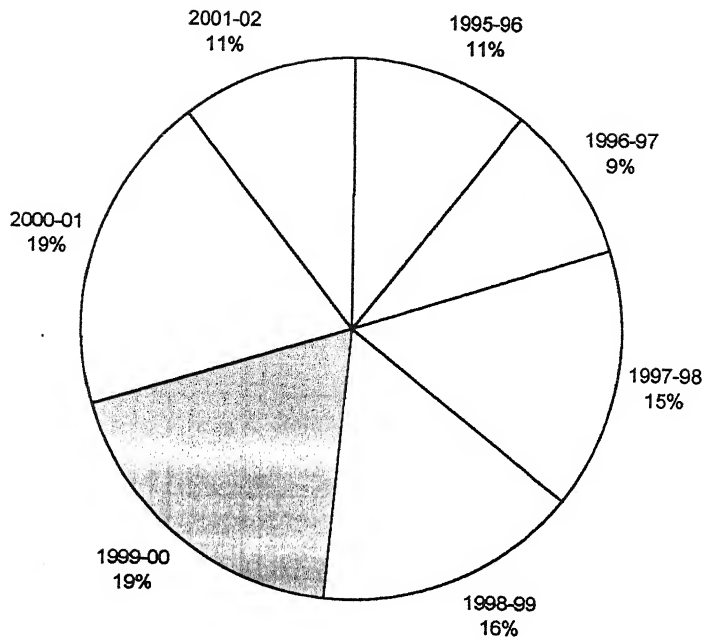
OVERALL OPERATIONS

YEARS	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
TOTAL SANCTIONS	15988.9	14002.1	23189.0	23744.7	28307.7	28711.1	16034.5
DIRECT FINANCE	14128.1	11837.7	21850.4	22883.5	26350.1	27303.5	15207.5
REFINANCE	635.1	745.6	373.0	91.6	241.6	363.0	185.5
BILL FINANCE	1126.1	1374.6	906.6	674.6	723.2	285.7	123.5
OTHERS	99.6	44.2	59.0	95.0	1001.9	7588.8	517.0

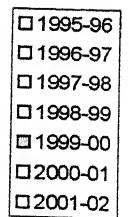
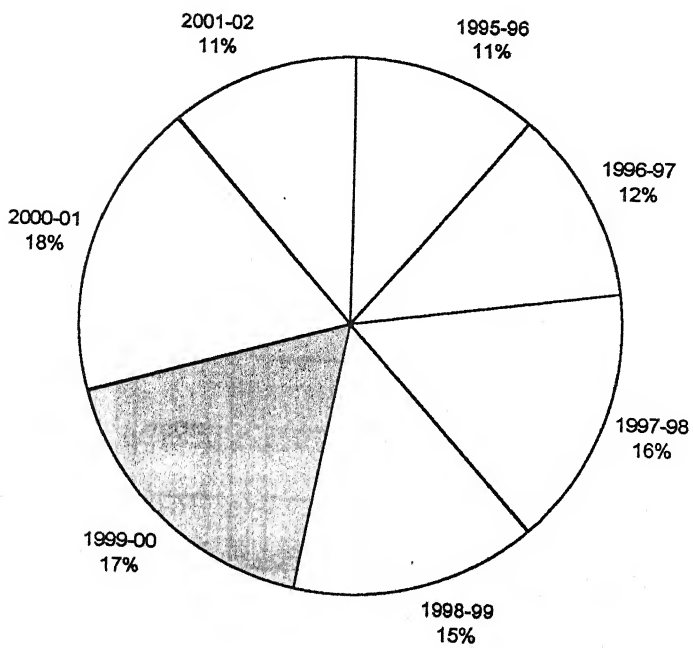
YEARS	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
TOTAL DISBURSEMENTS	10720.8	11483.1	15170.0	14470.1	17059.3	17473.5	11157.5
DIRECT FINANCE	9313.8	9852.1	14151.6	13797.5	15454.2	16168.8	10333.5
REFINANCE	528.0	671.2	334.9	102.1	229.4	331.7	158.5
BILL FINANCE	779.4	915.6	624.5	475.5	527.9	201.8	84.5
OTHERS	99.6	44.2	59.0	95.0	847.8	771.2	580.0

Source: IDBI Annual Reports 1999-2000, 2000-2001, 2001-2002

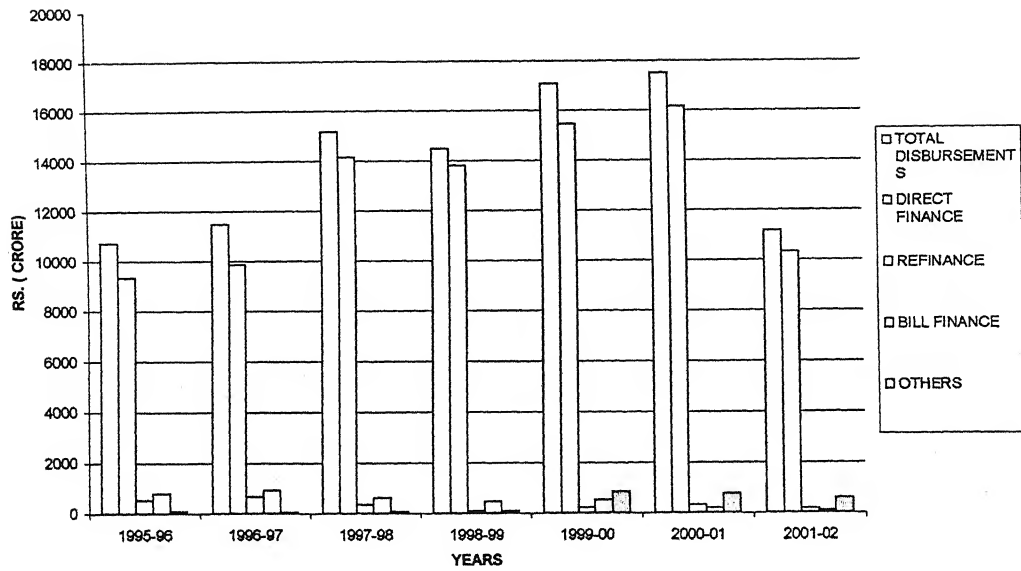
TOTAL SANCTIONS



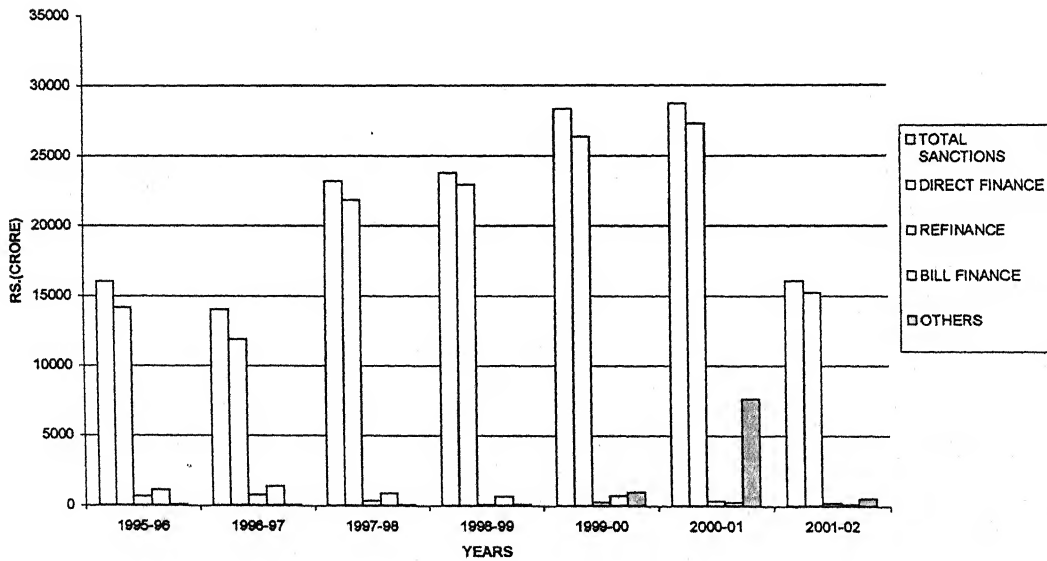
TOTAL DISBURSEMENTS



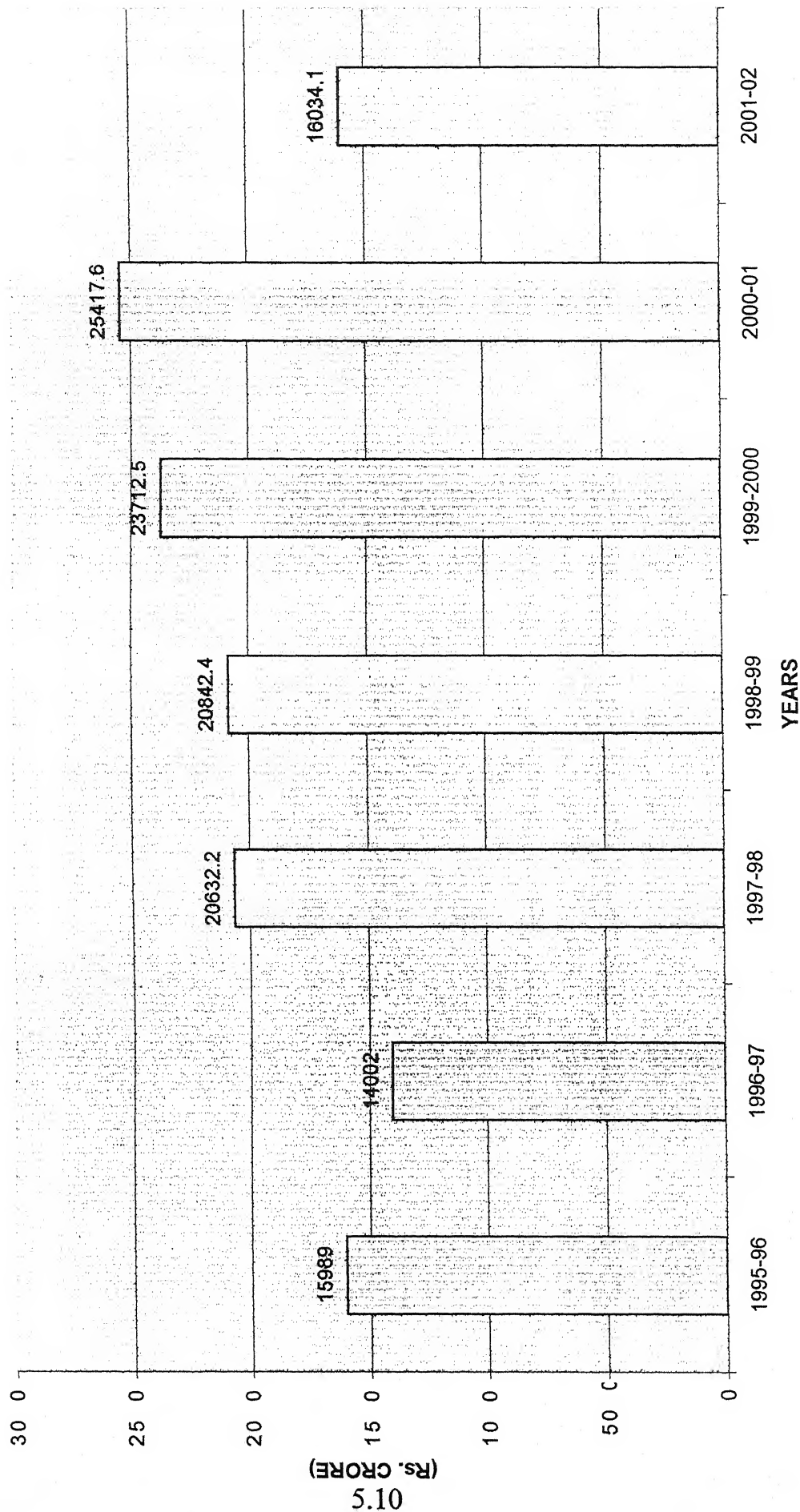
TOTAL DISBURSEMENT



TOTAL SANCTION



SANCTIONS (Rs. crore)



OPERATING PERFORMANCE OF IDBI:

IDBI announced a 31 percent rise in its post tax profits at Rs. 1,501 crores for the year 1997-98. IDBI registered a 41 percent growth in sanctions and 32.6 percent rise in disbursement during the year which was responsible for the rise in profits.

Overall sanctions rose to Rs. 24,198 crores (Rs. 17,049 crores last year) mainly due to larger assistance provided to infrastructure sector and under the newly introduced working capital and short term products. Disbursals also recorded substantial higher growth to Rs. 15,165 crores as against Rs. 11,439 crores the previous year.

After appropriations in reserves and reserve funds, the Board has proposed a hike in the dividend to 45 percent from 35 percent.

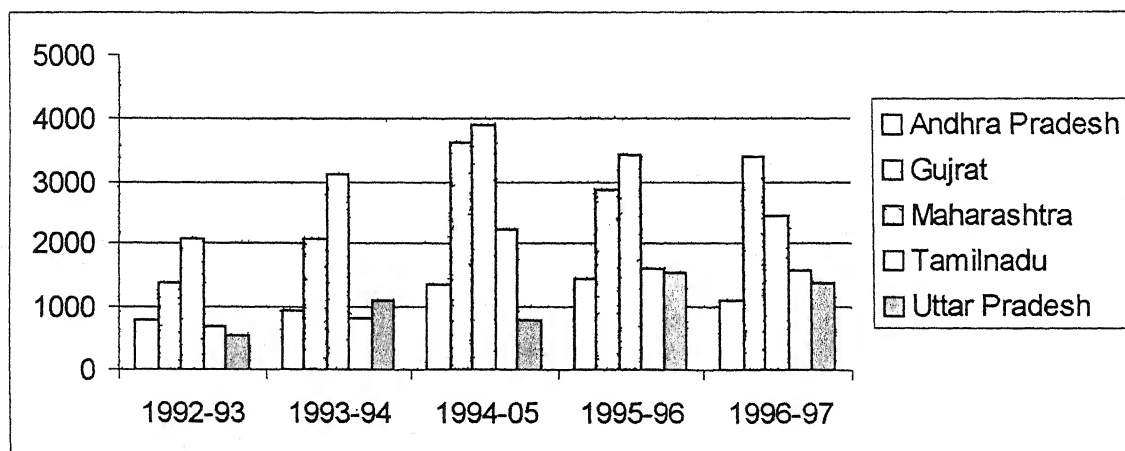
It is assumed that infrastructure, ports and roads along with power would continue to claim a larger share of assistance this year also. After the year 1997 the position of sanctions and disbursements changed frequently. The comparative data of different states were also collected but the position showed a great disparity.

With the data available, it was observed that regarding sanctions and disbursements the state of U.P. was discarded.

The position of IDBI in U.P. is depicted through the following tables.

STATE WISE ASSISTANCE SANCTIONED :

(Rs. Crores)					
State	1992-93	1993-94	1994-05	1995-96	1996-97
Andhra Pradesh	771.3	954.4	1344.0	1443.8	1111.5
Gujra	1392.4	2062.9	3621.7	2849.4	3386.8
Maharashtra	2065.8	3110.7	3903.8	3418.1	2442.8
Tamilnadu	684.5	820.4	2219.1	1613.4	1577.2
Uttar Pradesh	537.1	1109.0	796.1	1528.2	1378.1
Total	8829.6	11772.7	18123.1	17696.3	17005.7

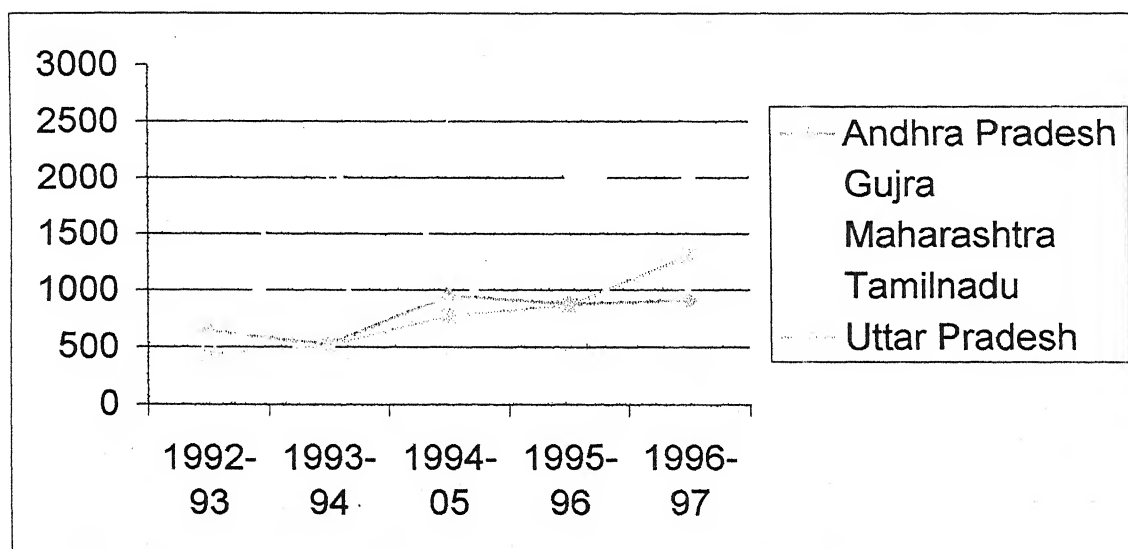


* The sanctions have increased by 6% in U.P. since 1992-93 to 1996-97. The states of Gujrat and Maharashtra have received 20% and 14% of the total sanctions in the year 1996-97 as compared to only 8% to U.P.

STATE WISE ASSISTANCE DISBURSED :

(Rs. Crores)

State	1992-93	1993-94	1994-05	1995-96	1996-97
Andhra Pradesh	636.7	516.3	954.4	875.0	910.5
Gujra	1095.8	867.9	1639.6	1716.8	1956.1
Maharashtra	1111.6	1941.9	2449.5	2002.7	1940.7
Tamilnadu	562.7	736.5	927.1	1281.0	999.5
Uttar Pradesh	430.0	509.9	769.6	861.7	1303.5
Total	6380.1	7778.7	10518.1	10593.2	11394.7

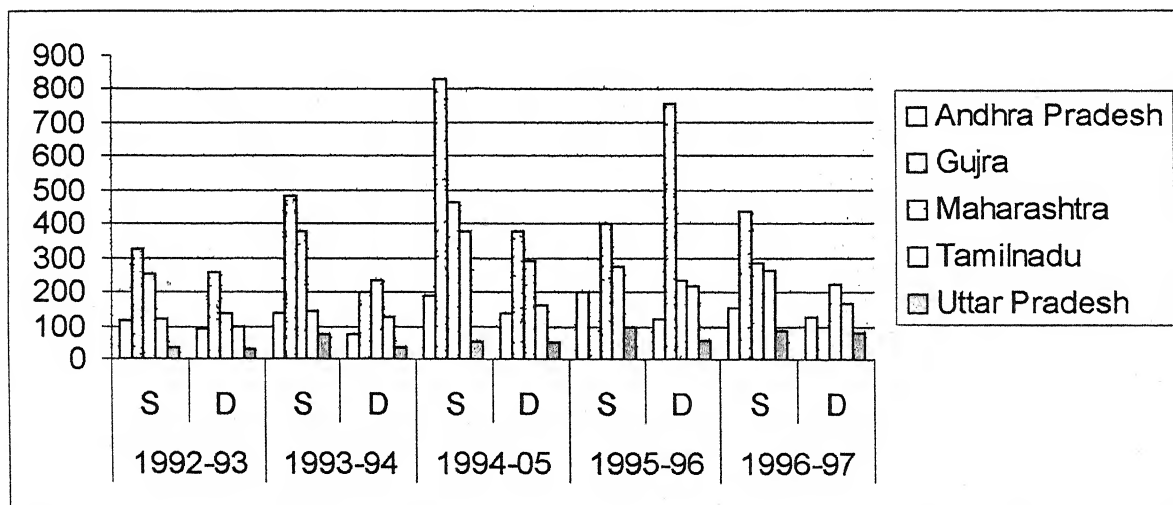


* The disbursement have increased by 8% since 1992-93 to 1996-97 in U.P. as compared to the other states. The states of Gujrat and Maharashtra have received nearly same amount of disbursement in the year 1996-97.

STATE WISE PER – CAPITA ASSISTANCE SANCTIONED AND DISBURSED

(Rs. Crores)

State	1992-93		1993-94		1994-05		1995-96		1996-97	
	S	D	S	D	S	D	S	D	S	D
Andhra Pradesh	112.4	92.8	137.0	74.1	190.1	135.0	201.4	122.1	153.0	125.3
Gujra	327.6	257.8	479.0	201.5	830.2	375.8	645.2 388.7	757.7	437.6	
Maharashtra	254.3	136.8	377.4	235.6	466.9	293.0	402.7	236.1	283.8	225.4
Tamilnadu	119.5	98.3	141.6	127.1	378.7	158.2	272.3	216.2	263.3	166.9
Uttar Pradesh	37.1	29.7	75.0	34.5	52.8	51.0	99.4	56.0	87.9	83.1
Total	100.7	72.7	131.9	87.2	199.6	115.9	191.7	114.8	181.3	121.4

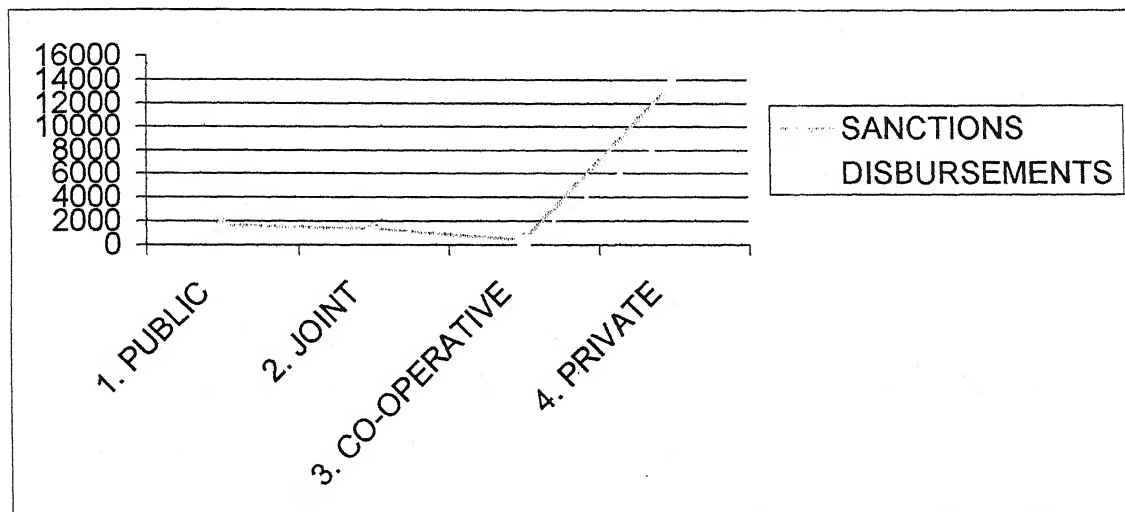


* U.P. ranks fifth in position regarding state-wise per capital assistance sanctioned and disbursed. In further years also the position was not improved, so far as the comparative position of U.P. is concerned.

SECTOR WISE ASSISTANCE SANCTINED AND DISBURSED
IN 1996-97

(Rs. Crores)

SECTOR	SANCTIONS	DISBURSEMENTS
1. PUBLIC	1631.9	1164.3
2. JOINT	1302.7	770.6
3. CO-OPERATIVE	382.2	189.7
4. PRIVATE	13688.9	9270.1
TOTAL	17005.7	11394.7



* The majority of sanctions and disbursements in 1996-97 has been made to the private sector.

REPORT ON DEVELOPMENT BANKING IN INDIA, 1996-97
FI SANCTIONS AGGREGATE Rs. 55,737 CRORE
DISBURSEMENTS UP BY 8.8% TO Rs.42,067 CRORE

The Industrial Development Bank of India (IDBI) has published its Report on Development Banking in India for the year 1996-97. The Report covers the operations of all financial institutions (FIs) in the country, both at the national and state level during the year ended March 1997.

The FIs comprise five all-India development banks viz. Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India Ltd. (IFCI), Industrial Credit and Investment Corporation of India Ltd. (ICICI), Small Industries Development Bank of India (SIDBI) and Industrial Investment Bank of India Ltd. (IIBI).

Three specialized financial institutions viz. Risk Capital and Technology Finance Corporation of India Ltd. (RCTC), TDICI Ltd., and Tourism Finance Corporation of India Ltd. (TFCI) ; three investment institutions viz. Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) and General Insurance Corporation of India (GIC); 18 State Financial Corporations (SFCs) and 28 State Industrial Development Corporations (SIDCs).

The Report also reviews the operations of National Bank for Agriculture & Rural Development (NABARD), Exim Bank of India and North Eastern Development Finance Corporation Ltd. (NEDFi). The operations of Technical Consultancy Organizations (TCOs), commercial banks and various other institutions having a bearing on industrial growth in the country are also discussed in the Report.

- Aggregate assistance sanctioned by all financial institutions in the country during 1996-97 amounted to Rs.55,737 crore and disbursements to Rs.42,067 crore. The sanctions represent a decline of 14.9%, while disbursements indicate a growth of 8.8% over the amounts sanctioned/disbursed by these institutions during the previous year. The decline in sanctions and deceleration in disbursements during the year are mainly on account of subdued industrial growth and sluggishness in the capital market for the second successive year reflecting a weakening of intended investment by corporates. Cumulatively up to end-March 1997, sanctions and disbursements by financial institutions aggregated Rs.3,69,277 crore and Rs.2,52,933 crore respectively.

- The all-India Development banks (AIDBs) sanctioned assistance aggregating Rs.45,877 crore in 1996-97 registering a decline of 16.1% over the previous year. Sanctions by the specialized financial institutions (SFIs) and investment institutions during 1996-97 recorded growth of 0.5% and 9.1% to Rs.362 crore and Rs.7489 crore respectively.
- The state level institutions (SFCs and SIDCs) suffered deceleration in their operations during the year. SFCs sanctions and disbursements fell by 21.1% and 9.5% respectively. While the sanctions of SIDCs declined by 12.5%, disbursements grew by 5.7% during the year.
- During 1996-97, the AIDBs (including resource support to other FIs by IDBI and SIDBI) accounted for 82.3% of the total assistance sanctioned by FIs while investment institutions (including resource support to other FIs by LIC and UTI) constituted 13.4%, SFCs 5.9%, SIDCs 3.1% and SFIs 0.6%. Sanctions by IDBI and SIDBI together accounted for 51.3% and 42.2% of total sanctions of AIDBs and FIs respectively during the year. Of the cumulative sanctions, up to end-March 1997 (Rs.3,69,277 crore), AIDBs (including IDBI/SIDBI's resource support to other FIs) constituted 78.4%, investment institutions (including LIC/UTI's resource support to other FIs) 19.2%, SFCs 7.1%, SIDCs 3.6% and SFIs had a share of 0.5%.
- The industries accounting for bulk of FI sanctions during 1996-97 were chemicals & chemical products (14.1%), electricity generation (10.6%), basic metals (10.5%), textiles (7.5%) and services (14.5%).
- During 1996-97, sanctions by IDBI, IFCI, ICICI, SIDBI, IIBI, SFCs and SIDCs to units in backward areas declined by 29.9% to Rs.13,869 crore and constituted 29.4% of total. Disbursements to backward areas increased by 17.4% to Rs.11,205 crore accounting for 32.5% of total.
- Bulk of the FI sanctions in 1996-97 was claimed by private sector (Rs.44,372 crore) and constituted 81.9% of the total.

- In the context of the fast changing business scenario, DFIs continued the efforts to re-orient their business strategies to meet the challenges posed by the new competitive and deregulated environment. During the year, IDBI further diversified its range of activities and entered into new areas of short-term and working capital financing. Based on an organisational study by Booz-Allen and Hamilton, changes in the organisational and credit delivery process have been introduced to improve the operational efficiency of the bank.

With effect from April 1, 1996 SCICI Ltd. was merged with ICICI in order to have a strong capital base and optimize operational efficiency. ICICI has formed a wholly-owned subsidiary called ICICI Credit Corporation Ltd. (I-CREDIT) as a non-banking finance company to create a retail network to enter new areas like financing automobiles, consumer durables, vendor leasing and factoring services. In order to provide operational flexibility and functional autonomy, IRBI was transformed into a full fledged development finance institution and incorporated as Industrial Investment Bank of India Ltd. During the year, SIDBI introduced a direct assistance scheme for SSI vendors viz. Vendor Development Scheme and a scheme for extending grant to SSIs to cover a part of the cost of acquiring credit rating.

- To catalyse private capital flows for infrastructure finance on a commercially viable basis in the five key areas viz. power, telecommunications, ports, roads and urban finance, Infrastructure Development Finance Company (IDFC) was set up by Government of India and RBI with SBI, IDBI, IFCI, ICICI, UTI and HDFC as co-promoters besides certain foreign financing institutions. IDFC became operational during the year and is expected to give a boost to financing of infrastructure projects.
- Data available for the first nine months of current financial year (April-December 1997) indicate an upturn in the operations of All-India Financial Institutions (AIFIs). AIFIs sanctions and disbursements have gone up appreciably by 58.4% and 20.6% to Rs.52,466 crore and Rs.32,664 crore respectively over the corresponding period of the previous year hinting at revival of corporate investment intentions.

Under the soft loan scheme, traditional industries claimed a major share than the priority ones. The share of traditional industries under this scheme recorded at 84.17 percent of the total assistance disbursed as at the end of March 1985, compared to the share of priority industries recorded at 15.83 percent as on that date. Since soft loan scheme is categorically meant for the traditional industries, it is thus evident that a major chunk of total assistance is demanded by the traditional industries.

IDBI provides finance assistance to different categories of industries under re-finance scheme. Under this scheme, out of the total assistance provided by IDBI, while the traditional industries secured 19.04 percent, the share of priority industries was 64.17 percent.

IDBI also assists the industries under bills re-discounting scheme. Under this scheme, out of the total assistance provided by IDBI, traditional industries claimed a share of 30 percent as at the end of March 2002. It decreased to 16.07 percent as at the end of March 2003.

On the contrary the share of priority industries significantly increased from 40 percent as in 2001 to 64.41 percent as in 2002. From this it can be inferred that IDBI's assistance to traditional industries while registered a decrease, increased magnificently in case of priority ones.

From the above analysis, it can be inferred that IDBI has attached less importance to traditional industries than the priority ones. Hence, the hypothesis holds good.

A Major Chunk of IDBI's Assistance has gone to Private Sector Industries

This hypothesis has been examined taking into account the total assistance sanctioned by IDBI to different sectors as on March end, 2002 and 2003. The total amount sanctioned at all the sectors amounted to Rs. 52653.68 crores as in 1992. Out of which Rs. 38958.57 crores was sanctioned to private sector industries only. This alone accounted to 73.99 percent of the total assistance sanctioned.

The remaining smaller proportion was shared by all other sectors. The public sector was assisted by Rs.9115.75 crore, (17.31 percent), the joint sector by Rs. 3505.05 crore (6.66 percent), and the co-operative sector by Rs. 1047.31 crore (2.04 percent).

If we look at sector wise distribution of project finance assistance sanctioned, the private sector industries secured 70.04 percent of the total assistance sanctioned as on end of March 1992. The share of joint, public and co-operative sector was 14.21, 11.75 and 4 percent respectively.

Under soft loan scheme, private sector industries claimed a major share of 70.00 percent of total assistance disbursed as at the end of March 1990. On the other hand, the share of public sector industries recorded at 38 percent and co-operative sector at 2.00 percent. The joint sector was completely deprived of receiving any assistance under this scheme.

From the above analysis it can be inferred that a major chunk of IDBI's assistance went to private sector industries.

IDBI has deviated from its Prime Objective of Reducing Regional Imbalance.

This hypothesis has been examined taking into account state wise distribution of assistance made by IDBI as a whole and under different schemes. As regards the cumulative assistance sanctioned by IDBI in terms of percentages as at the end of march 1990 onwards, it is observed that six developed states like Maharashtra, Gujrat, Tamil nadu, Karnataka, Uttar Pradesh and Andhra Pradesh combined, claimed as high as 60 percent of the total assistance as in 1992.

The rest of the states and Union Territories shared the remaining proportion of 40 percent. The share of these six developed states recorded 63 percent of the total assistance sanctioned as on 1992, while the rest of the states and Union Territories shared the remaining 37 percent.

Under project finance assistance disbursed, it is observed that in the year 1990 onwards, the state of Tamil Nadu ranked first in claiming a lion's share of 13.00 percent, followed by Maharashtra 11.00 percent, Andhra Pradesh 10.00 percent, Orissa 10.00 percent and Karnataka 10.00 percent. Whereas the, remaining 44 percent of total assistance was shared by the rest of the states and Union Territories.

During 1990 and 1992, a few developed states (Gujrat, Maharashtra, Andhra Pradesh, Uttar Pradesh and Tamilnadu, Claimed a major share of 66 percent and 63 percent respectively. Whereas the least backward states had not been assisted properly by IDBI.

Under soft loan scheme, it is observed that the state of Mahrashtra ranked top in claiming a lion's share of 22.98 percent of total assistance disbursed as on the end of March 1995, following by Gujrat 18.00 percent, Tamilnadu 19* percent and Uttar Pradesh 8.35 percent. These four developed states claimed as high as 96

percent of the total assistance disbursed, while the rest of the states and Union Territories shared the remaining smaller share.

It is also observed that states like Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura were not at all benefited by this scheme.

As regards TDF assistance sanctioned, it is observed that the state of Maharashtra stood first in claiming a major share of 40.83 percent of total assistance sanctioned during 1985-90, followed by Tamil Nadu 17.85 percent, Gujarat 10.47 percent and Andhra Pradesh 4.87 percent.

Whereas, the remaining proportion of rest of the states and Union Territories shared 26 percent. During 1985-90, four developed states like Maharashtra, Tamil Nadu, Gujarat and Uttar Pradesh Combined claimed as high as 63 percent of total assistance. Whereas the remaining smaller share of 37 percent was shared by the rest of the states and Union Territories.

IDBI has played a significant role in the economic development of India via investment market, and has emerged the backbone of the financial system. Their role falls into two broad groups: quantitative and qualitative. Quantitative role refers to magnitude of funds provided to industries whereas qualitative role is concerned with development of backward regions, promotion of entrepreneurship and rehabilitation of sick industrial units.

The overall objective is to cover the gaps of capital and enterprise. They provide assistance to the new projects of national importance. They help in modernization, expansion, renovation and diversification of existing projects. It has a major role to play in the capital formation of the economy. The share of IDBI in the capital formation of the economy increased considerably only after 1970.

The capital formation in corporate sector increased from Rs. 17183 crores in 1982-83 to Rs. 48770 crore in 1991-92. The capital formation of Indian Economy also increased from Rs. 35,769 crore in 1982-83 to Rs. 136085 crores in 1991-92.

The plan period-wise distribution of assistance by IDBI shows that development banks in India have been progressing by leaps and bonds. During the Pre-Plan Period, the amount of assistance sanctioned was Rs. 8 crores and increased to Rs. 111710 crores as on March end 1992. During the First Plan Period the assistance sanctioned was increased by four times over the pre-plan period. During the Third Five Year Plan, the amount of assistance was doubled compared to the First Plan period. There was a declining trend in both, assistance sanctioned and disbursed during Three Annual Plans. The momentum in respect of provision of financial assistance continued to remain unabated during Fourth Plan period. The rising trend became steeper during the Fifth Plan period. During the Sixth Plan period, there still was a continued unaffected trend in growth rate. The annual average of assistance sanctioned and disbursed registered more than three - fold increase in Seventh Plan over Sixth Plan Period. During the Two Annual Plans (1990-92), there was a further surge in the amount of assistance sanctioned and disbursed.

Institutions wise distribution of assistance shows that the share of IDBI has been highest followed by ICICI and IFCI. Sector wise distribution of assistance noticed that a bulk of financial assistance of ADBs was sanctioned to private sector projects. Among development banks, ICICI attached maximum importance to the projects of private sector.

Component wise distribution of assistance reveals that the IDBI was the most predominant in providing rupee loans, ICICI Occupied the key position in providing foreign currency loans, followed by IFCI.

Object wise distribution of assistance shows that IDBI, IFCI and SIDBI concentrated more on new project. Whereas ICICI gave a larger proportion of assistance to existing ventures for their expansion and diversification purposes. Industry wise distribution of assistance shows that, the younger institutions like IDBI, ICICI and SIDBI had given special attention to priority industries.

As regards region - wise distribution of assistance, the financial institutions failed to reduce the regional disparities of the economy. They concentrated more on western region consisting four developed states. Their contribution to eastern region was the least though the region covers eleven states, and most of them being the least backward states. The performance of IDBI was quite admirable among all five-development banks. Distribution of assistance to backward areas also noticed that the ADBs concentrated more on the backward areas of the developed regions.

It also refines term loans given by state-level/banks to medium scale units and rediscounts/discounts bills of exchange and promissory notes arising out of sale/purchase of machinery and equipment. IDBI also extends loans to and makes investments in shares and bonds of various financial intermediaries. In response to the growing needs of various segments of industry and on-going changes in the financial sector, IDBI has been taking several steps to re-orient its business strategies and expand the range of its products and services.

Besides asset-based financing and equipment leasing, IDBI also provides, Merchant banking, debenture trusteeship and forex services to cater to the varied -needs of the clients. The bank continued to undertake a wide range of promotional activities relating to programmes for new entrepreneurs, consultancy services for small and medium enterprises and programmes designed for accredited voluntary agencies for economic upliftment of the underprivileged. Its wholly owned

subsidiary, Small Industries Development Bank of India (SIDBI) provides assistance to the small-scale sector.

In the post reform period, IDBI set up/took lead in the creation of several subsidiaries and associate concerns for offering wide range of products and services as also for capital market infrastructure development.

Earlier, towards the end of eighties, IDBI took initiative in the creation of securities and Exchange Board of India (SEBI), the regulatory body set up for orderly functioning of the capital market. The Bank took lead in establishing National Stock Exchange of India Ltd. (NSEIL) to provide nation wide screen based trading system. Keeping with the international trend and to complement on - line screen based trading system, IDBI along with UTI and NSE set up the country's first, National Securities Depository Ltd. (NSDL) to usher in an era of scrip less trading. Credit Analysis and Research Ltd. (CARE) promoted by IDBI offers credit rating, information and equity research service to industry and institutions. It also took lead in setting up of investor Services of India Ltd. (SIL), a registration and transfer company. IDBI has also set up a fully owned stock broking subsidiary called the IDBI Capital Market Services Ltd. (ICMS). IDBI has sponsored a mutual fund and set up IDBI Investment Management Co. Ltd (IIMCO), a wholly owned asset management company. To offer high tech commercial banking services, IDBI established IDBI Bank Ltd. To impart focused attention to the development needs of the northeastern region of the country, IDBI along with other institutions and banks setup the North Eastern Development Finance Corporation Ltd. (NEDFC).

During the year, IDBI become a Depository participant with the National Securities Depository Ltd. (NSDL). In the context of on going new opportunities and challenges in the business environment IDBI felt the need to commission a reputed international management consultant to study its role and advise on strategic repositioning so as to maintain its leadership position in the

financial system. Accordingly Booz Allen and Hamilton were appointed, and they recommended a comprehensive programme designed to improve IDBI's operating performance. The recommendation has been accepted and IDBI has completed the re-organisation process at Head Office and branch offices. These changes would considerably streamline the credit delivery process and enable the Bank to serve its customers better.

Following larger allocation to Financial Institutions by RBI, to raise short term resources, IDBI has recently introduced a new scheme for working capital finance which will enable the Bank to serve its customers better and provide greater flexibility in resource mobilization and deployment. Due to low rates of interest prevailing in the money market the Bank has introduced a new scheme viz. treasury product mainly with the aim of deploying short term surplus funds.

During the year, Moody's and standard and Poor's assigned IDBI investment grade rating with positive outlook both reflecting sovereign ratings. The rating represents the Bank's strong capital base, diversified customer base, consistent profitability, sound capitalization and IDBI's importance as leading institution in India providing development finance.

Operations

Despite a somewhat subdued economic and industrial investment climate the bank recorded robust growth in its operations in 1997-98 due to mainly larger flow of assistance to infrastructure sector and assistance under short term working capital product introduced during the year. Overall sanctions of IDBI during the year 1997-98, aggregated to Rs. 24,198.6 crore registering a growth of 41.9% over the previous year level of Rs. 17049.9 crore. Disbursement during the same year, amounted to Rs. 15,165.4 crore, which was 32.6% higher than disbursements of Rs. 11439 crore made in 1996.97.

State-wise Disbursements

by IDBI (Though North Eastern Development Corporation)

(A subsidiary)

(till 31/3/2004)

(Rs. in lakh)

Year	Arunachal	Assam	Manipur	Meghalaya	Mizoram	Nagalan	Tripura	Sikkim	Total
1996-97	0	615	0	0	0	0	0	0	615
1997-98	9	227	39	0	0	80	0	0	355
1998-99	24	1062	31	4	25	34	37	0	1217
1999-00	150	932	153	62	30	41	95	0	1463
2000-01	206	3360	285	618	60	323	194	0	5046
2001-02	397	2472	152	1467	192	259	140	0	5079
2002-03	246	2170	68	2404	87	97	38	0	5110
2003-04	341	2964	70	1349	93	175	14	200	5209
Total :	1373	13802	798	5904	490	1009	14	704	24094

State-wise Sanctions by IDBI

(till 31/3/2004)

(Rs. in lakh)

Year	Arunachal	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Tripura	Sikkim	Total
1996-97	0	682	0	0	0	0	0	0	682
1997-98	518	1164	66	0	25	110	40	0	1923
1998-99	235	2198	49	173	51	34	58	0	2798
1999-00	38	1725	263	772	208	234	255	0	3495
2000-01	418	3945	350	2659	156	490	306	0	8324
2001-02	291	3166	80	2582	45	124	16	0	6304
2002-03	136	3401	59	2114	114	80	460	0	6363
2003-04	942	2639	76	4607152	102	97	355	97	1490
Total :	2578	18920	943	12907	1751	1174	97	1490	38860

Direct Finance:

Sanctions of direct finance products recorded a decline of 11.8% to Rs. 13,288 crore and shared 78.4% of assistance for asset creation. Foreign currency loans registered a growth of 66.6%, while all other products recorded declines. The substantial increase in foreign currency loans is indicative of preference of the borrowing companies for foreign currency loans due to low interest costs compared to rupee loans. Rupee loans shared a major portion (75.4%) of direct finance followed by foreign currency loans (19.4%). Disbursement under direct finance increased by 4.9% to Rs. 9818 crore claiming 86.6% of total asset creation. Rupee and foreign currency loans recorded increases of 11.4% and 16.5% respectively and formed 74.6% and 18.2% of disbursement under direct finance.

Indirect Finance**Refinance**

During 1996-97, sanctions and disbursements under refinance, increased by 17.4% and 27.1% to Rs. 746 crore and Rs. 671 crore respectively, mainly on account of increase in assistance to state level institutions. The share of SIDCs, SFCs and Banks in the refinance assistance was 60.2%, 39.4% and 0.4% respectively.

Loans to and investments in Financial Intermediaries:

During 1996-97, IDBI sanctioned an amount of Rs. 44 crore by way or resource support to financial intermediaries in the form of loans to and investments in shares and bonds of financial intermediaries.

Merchant Banking:

IDBI's Merchant Banking Division lead managed 21 issues involving mobilization of Rs. 2923 crore during 1996-97. It won a number of mandates for financial advisory services and loan syndication for large projects in the power, petroleum, telecom and steel sectors. During 1996-97, the Bank earned an income of Rs. 5.6 crore through issue management and advisory services.

Debenture Trusteeship

During 1996-97, IDBI accepted 35 debenture trusteeship assignments for debt funds aggregating Rs. 1070 crore. The Bank also accepted four assignments as mortgage trustee/security agent to foreign and Indian lenders as part of corporate trustee services.

Forex Services:

IDBI opened Letters of Credit for amounts, aggregating Rs. 1994 crore as part of documentary credit services relating largely to import of capital goods. Remittances for imports, amounted to Rs. 2206 crore. Dealing room operations generated an income of Rs. 5.8 crore during the year.

Purpose - Wise Assistance:

This include sanctions under direct assistance, short-term loans and underwriting /guarantees. Sanctions for expansion/diversification, accounted for 47.6% followed by new projects (42.7%) and modernization (9.6%). Assistance sanctioned for modernization projects registered a growth of 74.3% while sanctions for all other purposes recorded declines.

CHAPTER 6

PROMOTIONAL ACTIVITIES OF IDBI

IDBI is an apex, term lending financial institution in India. Up to 1976, the IDBI functioned as a wholly owned subsidiary of the Reserve Bank of India. However to enable it to play a more dynamic role in promoting the growth of industries, it was de-linked from the RBI.

Genesis of activities: -

IDBI now has a separate Board of directors, fully professionalised and specialised in three areas

- (a) Assessment of Project
- (b) Monitoring at the stage of construction.
- (c) Ensuring healthy functioning of the unit to serve the overall national interest.

In terms of the Public Financial Institutions Laws (Amendment) Act, 1975, IDBI has been restructured and designated as the principal financial institution of the country for providing credit and other facilities for the development of industry, for coordinating, in conformity with rational priorities for assisting the development of such institutions. The IDBI has been providing direct financial assistance to large and medium-large industrial concerns and also providing help to small and medium industrial concerns through banks and state level financial institutions

The IDBI (Amendment) Act, 1986 came into effect from August 14, 1986. The Act has enlarged the definition of an industrial concern to cover diverse range of industrial activities including the services of industries like health care storage and

distribution widen the scope of business of IDBI by addition of such activities as consultancy, merchant banking and trusteeship activities.

The range of financing instruments has been further enlarged to include instruments like grant of lines of credit and issue of letters of credit. The amendment enables IDBI to grant loans and advances to individuals for investment in industrial concerns.

Resources:

In March 1994, the IDBI Act was amended to empower the Bank to issue its equity capital to persons other than the Central Government provided the government holding does not fall below 51%. Consequently, the bank made its first public issue of equity in July 1995, which was the largest equity offering in the Indian stock market so far. The majority of its shares are still held by the Central Government, though the percentage holding of Government has declined.

The **authorised capital** of IDBI was raised to Rs. 2000 crore as per the IDBI (Amendment) Act, 1994 divided into 150 crore equity shares of Rs. 10 each and 50 crore Redeemable Preference Shares of Rs. 10 each. The Government of India thereafter converted 25.30 crore equity shares of Rs. 10 out of the issued capital in 16% Redeemable Preference Shares of Rs. 10 each. The sources of funds are;

- (1) **Paid-up capital**, which stood at Rs. 818 crore as on 31st March, 1996.
(The Bank still has the scope to raise further equity capital to the extent of Rs. 1200 crore)
- (2) **Reserves**
- (3) The industrial credit(Long term operations)**fund** of the Reserve Bank of India
- (4) **Market borrowings**
- (5) Temporary borrowing from the Reserve Bank of India and
- (6) **World Bank Credit.**

The Central Government has been granting loans to the Bank. The Bank is also entitled to receive from the Reserve Bank;

(1) Normal banking accommodation up to 90 days against trustee securities

(2) Medium term accommodation up to 5 years against bonfide commercial papers bearing two or more good signatures and

(3) Long-term accommodation from the profits of the Reserve Bank of India. The Bank is also authorised to borrow from the market on its bonds and debentures. In addition, the Bank can borrow from any other authority or institution or borrow foreign currency on such terms and conditions as may be approved by the Central Government. It can accept deposits from the public for 12 months as also any gifts and donations.

The Bank has created a Development Assistance Fund to which all grants, donations and loans are credited. This fund is utilized for granting assistance to essential industrial enterprises that cannot secure funds to meet their needs from other sources. The Reserve Bank also has established National Industrial Credit Fund and the Bank is entitled to receive loans from this Fund for meeting its long-term needs.

Schemes, & Policies since 1990

Other Activities Undertaken by IDBI:

During recent years IDBI has diversified its activities. It now undertakes non-project finance and also non-fund based activities. These are discussed below:

(1) **Merchant Banking:** The merchant banking division of IDBI undertakes new issues management, loan syndication and advisory services. The Bank is the largest underwriter in the Indian capital market.

(2) **Debenture Trusteeship:** The Bank accepts trusteeship assignments whereby it act as a Trustee on behalf of the secured Debenture-holders to undertake the documents relating to creation of charge on the assets of the borrower –company.

(3) **Venture Capital:** IDBI has created a Venture Capital Fund within itself, out of which venture finance is provided to those projects which employ untried high technology and where high risk is involved. This type of finance takes the form of equity, conventional loans and conditional loans. IDBI also plays a leading role in the development of venture capital industry, by participating in such funds jointly with other institutions.

(4) **Equipment Finance Scheme:** Under this scheme foreign currency loans are available to industrial concerns for import of capital goods and equipments not related to any specific project.

Forms of Assistance:

Pursuing a variety of activities, IDBI (i) provides direct assistance to industrial concerns in the form of loans, underwriting of and subscriptions to shares and debentures, and guarantees; (ii) provides soft loans for modernization, replacement and renovation; (iii) refinances industrial loans granted by banks and other financial institutions; (iv) rediscounts bills arising out of sales of indigenous machinery on deferred payment basis; (v) finances exports in the form of direct loans and guarantees to exporters in participation with commercial banks and overseas creditors; (vi) assists other financial institutions by way of subscription to their shares and bonds and (vii) engages in promotional activities for bringing about industrial development, particularly in less developed regions.

Units Assisted:

Though IDBI can finance all types of industrial concerns, it normally concentrates, as far as direct financing is concerned, on projects which are large and complicated and which involve huge capital outlay or sophisticated technologies, on projects located in undeveloped areas, and on projects promoted by technocrats. IDBI seeks to supplement the activities of other financial institutions and hence normally prefers not to assist those whose needs could be met by other institutions.

Direct Assistance constitutes thus the major portion of the Bank's total assistance. Out of the same, project finance accounts for the major share. Direct finance is sanctioned both in Indian rupees and foreign currencies, the former accounting for the major share. Project finance is given both for new projects and for capacity creation by the existing industrial units.

Promoter's Contribution:

While sanctioning finance for a new project, the financial institutions insist that the promoters of the company provide a part of the project cost from their own funds, so that their stake and interest in the project is maintained. Such portion of the project cost is called promoters contribution. IDBI raised the minimum level of promoters' contribution to 25% of the project cost. In respect of large projects and projects promoted by first generation entrepreneurs, this percentage was relaxed.

The debt-equity ratio of the borrowing company was also revised to 1.5:1 except for large projects where this ratio could be higher up to 2:1.

Rate of Interest:

As the IDBI depends largely on the borrowed funds, its lending rates depend upon the cost of its funds. However, the existence of large liquidity or otherwise and the state of inflation in the economy also affect the interest rates.

The interest rate structure of financial institutions was administered till August 1991. It was then liberalised subject to the prescription of a minimum interest rate, which was fixed at 15% on Aug. 16, 1991. The institutions can charge interest rate in accordance with their perception of the risk and credit worthiness of the borrower.

This step followed the abatement of inflation in the economy. The actual rate of interest was charged within the band of 17-19%. During the first half of 1994-95 the minimum rate was reduced to 14% but since the second half of the same year, upward revision in the minimum-lending rate commenced due to a tightening of the money market. The minimum lending rate has hiked to 15.5% in two parts. Subsequently on November 20, 1995 the floor rate for term loans was revised upwards to 16%.

With effect from July 1, 1996 the minimum lending rate was raised by one percentage point to 17% (exclusive of Interest Tax). The Bank attributed this hike to increase in the cost of its funds as it had raised funds from the retail market at over 16.5% per annum.

Immediately after the announcement of Credit Policy by the Reserve Bank of India in Oct. 1996 the four All India Financial Institutions announced a 0.5 percentage point cut in their prime lending rate. #

With effect from December 15, 1993, IDBI has introduced a Variable Interest Rate System for lending. It is an alternative to the existing fixed interest rate system as outlined above and is optional to the borrowers.

Soft Loan for Modernization of Selected Industries:

The soft loan scheme of all-India financial institutions, for which the overall responsibility rests with IDBI, seeks to provide financial assistance on soft terms to units in selected industries. The purpose of this scheme is to encourage units to undertake modernization, replacement and renovation of plant and equipment to achieve higher productive capacity and improve competitiveness.

Under this scheme, assistance is provided to industrial concerns in cement, sugar, cotton textiles, jute and certain engineering industries. Industrial concerns registered as public or private limited companies or cooperatives are eligible for assistance under this scheme.

The principal criterion for assistance under this scheme is lack of viability of the unit due to obsolescence of its plant and equipment. It should be clearly established that modernization would lead to viability within a reasonably short period. Under this scheme, industrial concerns, which are unable to bear the normal lending rate, get the entire loan on concessional terms. Other units receive assistance on concessional terms up to 66 percent of the loan (75 percent in the case of jute industry).

Source- A book for UGC (NET) on commerce paper –II & III (A) core group BRILLIANT TUTORIALS (p) LTD. December 2001

While IDBI has overall responsibility for the scheme, the task of processing and sanction of assistance is shared by the three all-India financial institutions (IDBI, IFCI and ICICI)- units in cement and cotton textiles industry may apply to IDBI, units in sugar and jute industry may apply to IFCI and unit in engineering industry may apply to ICICI.

Concessional Assistance to Projects in Backward Areas;

IDBI provides direct financial assistance on concessional terms to projects set up in backward areas/districts specified by the Planning Commission. IDBI, in participation with IFCI, and ICICI, provides rupee loans up to Rs. 2 crore and underwriting assistance up to Rs. 1 crore on concessional terms for new projects or to existing units. Assistance in excess of the above ceiling is generally provided on normal terms

The salient features of the concessional assistance to projects in backward areas are: lower interest rate, longer initial grace period, extended repayment period, reduced commitment fee, greater participation in equity and preference capital, reduced underwriting commissions, and lower promoters contribution to the project.

Refinance Scheme

IDBI has a scheme for refinancing loans sanctioned by Commercial Banks, state Financial Corporations and State Industries Development Corporations. This scheme covers loans made to small and medium units spread all over the country, particularly those promoted by weaker sections of society and small entrepreneurs. Units which are in priority sector and/or located in less developed areas are accorded special preference.

Bill Rediscounting Scheme:

IDBI has a bill-rediscounting scheme to enable industrial units to buy capital equipment on a deferred payment basis.

- The prospective buyer suggests to the manufacturer/seller of capital equipment, that instead of making full payment in cash he would like to avail of the facility of deferred payments under the bill-rediscounting scheme of IDBI.

- The manufacturer/seller, if he agrees to the proposal of the buyer, divides the cost of equipment excluding advance payment, into half yearly or yearly instalments and prepares a separate bill/promissory note for each installment.
- The bills/promissory notes are accepted/guaranteed by, or on behalf of the buyer, on delivery of the equipment.
- The banker of the manufacturer/seller rediscounts the bills with IDBI, under the bill rediscounting scheme, thus obtaining the amount paid to the manufacturer / seller.
- The banker of the manufacturer/seller buys back the bills from IDBI three days (working days) in advance of their due dates and gets payments from the acceptor/guarantor of the bills on maturity due dates.

Inter Institutional coordination;

IDBI, as the apex financial institution, holds monthly institutional meetings (IIMs) of the senior executives of the all-India financial institutions. These meetings have proved very useful for developing a common approach with respect to policies and priorities in the area of industrial financing and assistance, and for evaluating proposals for assistance on a consortium basis.

Promotional Activities: -

IDBI's promotional activities, wide-ranging in nature, consist of (i) making available information on specific products/processes and relevant economic data to entrepreneurs soliciting them; (ii) guiding in selection of consultants; (iii) preparing project profiles to guide entrepreneurs; (iv) assisting state level institutions in formulating and implementing training programmes for entrepreneurs; (v) constituting Inter Institutional Groups of the state level financial and development corporations and lead banks, which serve as a forum for coordinating the promotional activities of different institutions; (vi) setting up technical consultancy organisations at state level in participation with other term financing institutions, lead banks and concerned state governments and (vii) conducting industrial potential surveys, commission, feasibility reports and identifying prospects that can be quickly implemented.

Genesis of activities

Developments

IDBI, is entering into the housing finance business by establishing wholly owned subsidiary, 'IDBI Housing Finance ' along with acquiring entire stake of Rs. 49.98 crore of Tata Finance Ltd in Tata Home finance Ltd. It is also entering into non-life/reinsurance broking business

. The Bank will shortly infuse Rs. 150 crore into IFCI as part, of the Rs. 1,000- crore, assistance. On March 16, 2002, the bank announced that it has plans to form a consortium with banks and institutions for extending film financing. It has plans to offload at least 20% equity stake in IDBI Bank by September this year.

IDBI is planning to divert its entire stake in IDBI-Principal Asset Management Company. Bank is not considering a merger with IFCI. IDBI along with ICICI Bank Ltd., SBI as major sponsors, have jointly promoted the Asset Reconstruction Company (India) Ltd. (ARCIL).

Future Plans

IDBI would continue to focus on the infrastructure sector & target increased assistance to the new economy segments like information technology, pharmaceuticals, biotechnology, communication and entertainment. The core service would be fund based, dovetailed by client – driven business deals and a structured product-matrix, in line with the continuing strategic accent on providing integrated financial services to the client.

Further, in order to increase its business and overall profitability, IDBI would intensify its efforts in the area of equity participation and fee-based activities. The Bank would aim at pursuing growth in the volume of business and endeavor to maintain asset quality. IDBI is seeking to sustain its level of disbursements through growth in structured finance products, infrastructure finance products and non-project products.

ICRA expects the infrastructure segment to grow substantially in the medium to long term, and IDBI is well positioned to capitalise on this growth on the strength of the expertise it has developed in this sector ICRA notes that IDBI continues to maintain significant exposures in commodity sectors, and some of the exposures have been under

➤ **Developmental Activities of IDBI**

1. Promotional activities

In fulfillment of its developmental role, the Bank continues to perform a wide range of promotional activities relating to developmental programs for new entrepreneurs, consultancy services for small and medium enterprises and programs designed for accredited voluntary agencies for the economic upliftment of the underprivileged. These include entrepreneurship development, self-employment and wage employment in the industrial sector for the weaker sections of society through voluntary agencies, support to Science and Technology Entrepreneurs' Parks, Energy Conservation, Common Quality Testing Centers for small industries.

2.) Technical Consultancy Organizations

With a view to making available at a reasonable cost, consultancy and advisory services to entrepreneurs, particularly to new and small entrepreneurs, IDBI, in collaboration with other All-India Financial Institutions, has set up a network of Technical Consultancy Organizations (TCOs) covering the entire country. TCOs offer diversified services to small and medium enterprises in the

selection, formulation and appraisal of projects, their implementation and review.

3.) Entrepreneurship Development Institute

Realizing that entrepreneurship development is the key to industrial development, IDBI played a prime role in setting up of the Entrepreneurship Development Institute of India for fostering entrepreneurship in the country. It has also established similar institutes in Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. IDBI also extends financial support to various organizations in conducting studies or surveys of relevance to industrial development.

REPORT ON DEVELOPMENT BANKING IN INDIA, 1996-97
FI SANCTIONS AGGREGATE Rs. 55,737 CRORE
DISBURSEMENTS UP BY 8.8% TO Rs.42,067 CRORE

The Industrial Development Bank of India (IDBI) has published its Report on Development Banking in India for the year

1996-97. The Report covers the operations of all financial institutions (FIs) in the country, both at the national and state level during the year ended March 1997. The FIs comprise five all-India development banks viz. Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India Ltd. (IFCI), Industrial Credit and Investment Corporation of India Ltd. (ICICI), Small Industries Development Bank of India (SIDBI) and Industrial Investment Bank of India Ltd. (IIBI).

Three specialised financial institutions viz. Risk Capital and Technology Finance Corporation of India Ltd. (RCTC), TDICI Ltd., and Tourism Finance Corporation of India Ltd. (TFCI); three investment institutions viz. Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) and General Insurance Corporation of India (GIC); 18 State Financial Corporations (SFCs) and 28 State Industrial Development Corporations (SIDCs).

The Report also reviews the operations of National Bank for Agriculture & Rural Development (NABARD), Exim Bank of India and North Eastern Development Finance Corporation Ltd. (NEDFi). The operations of Technical Consultancy Organisations (TCOs), commercial banks and various other institutions having a

bearing on industrial growth in the country are also discussed in the Report.

Aggregate assistance sanctioned by all financial institutions in the country during 1996-97 amounted to Rs.55,737 crore and disbursements to Rs.42,067 crore. The sanctions represent a decline of 14.9%, while disbursements indicate a growth of 8.8% over the amounts sanctioned/disbursed by these institutions during the previous year. The decline in sanctions and deceleration in disbursements during the year are mainly on account of subdued industrial growth and sluggishness in the capital market for the second successive year reflecting a weakening of intended investment by corporates.

Cumulatively up to end-March 1997, sanctions and disbursements by financial institutions aggregated Rs.3,69,277 crore and Rs.2,52,933 crore respectively.

The all-India Development banks (AIDBs) sanctioned assistance aggregating Rs.45,877 crore in 1996-97 registering a decline of 16.1% over the previous year. Sanctions by the specialised financial institutions (SFIs) and investment institutions

during 1996-97 recorded growth of 0.5% and 9.1% to Rs.362 crore and Rs.7489 crore respectively.

The state level institutions (SFCs and SIDCs) suffered deceleration in their operations during the year. SFCs sanctions and disbursements fell by 21.1% and 9.5% respectively. While the sanctions of SIDCs declined by 12.5%, disbursements grew by 5.7% during the year.

During 1996-97, the AIDBs (including resource support to other FIs by IDBI and SIDBI) accounted for 82.3% of the total assistance sanctioned by FIs while investment institutions (including resource support to other FIs by LIC and UTI) constituted 13.4%, SFCs 5.9%, SIDCs 3.1% and SFIs 0.6%. Sanctions by IDBI and SIDBI together accounted for 51.3% and 42.2% of total sanctions of AIDBs and FIs respectively during the year.

Of the cumulative sanctions, up to end-March 1997 (Rs.3,69,277 crore), AIDBs (including IDBI/SIDBI's resource support to other FIs) constituted 78.4%, investment institutions (including LIC/UTI's resource support to other FIs) 19.2%, SFCs 7.1%, SIDCs 3.6% and SFIs had a share of 0.5%.

The industries accounting for bulk of FI sanctions during 1996-97 were chemicals & chemical products (14.1%), electricity generation (10.6%), basic metals (10.5%), textiles (7.5%) and services (14.5%).

During 1996-97, sanctions by IDBI, IFCI, ICICI, SIDBI, IIBI, SFCs and SIDCs to units in backward areas declined by 29.9% to Rs.13,869 crore and constituted 29.4% of total. Disbursements to backward areas increased by 17.4% to Rs.11,205 crore accounting for 32.5% of total.

Bulk of the FI sanctions in 1996-97 was claimed by private sector (Rs.44,372 crore) and constituted 81.9% of the total.

In the context of the fast changing business scenario, DFIs continued the efforts to re-orient their business strategies to meet the challenges posed by the new competitive and deregulated environment. During the year, IDBI further diversified its range of activities and entered into new areas of short-term and working capital financing.

Based on an organisational study by Booz-Allen and Hamilton, changes in the organisational and credit delivery process have been introduced to improve the operational efficiency of the bank. With effect from April 1, 1996 SCICI Ltd. was merged with ICICI in order to have a strong capital base and optimise operational efficiency.

ICICI has formed a wholly-owned subsidiary called ICICI Credit Corporation Ltd. (I-CREDIT) as a non-banking finance company to create a retail network to enter new areas like financing automobiles, consumer durables, vendor leasing and factoring services. In order to provide operational flexibility and functional autonomy, IRBI was transformed into a full-fledged development finance institution and incorporated as Industrial Investment Bank of India Ltd. During the year, SIDBI introduced a direct assistance scheme for SSI vendors viz. Vendor Development Scheme and a scheme for extending grant to SSIs to cover a part of the cost of acquiring credit rating.

To catalyse private capital flows for infrastructure finance on a commercially viable basis in the five key areas viz.

power, telecommunications, ports, roads and urban finance, Infrastructure Development Finance Company (IDFC) was set up by Government of India and RBI with SBI, IDBI, IFCI, ICICI, UTI and HDFC as co-promoters besides certain foreign financing institutions.

IDFC became operational during the year and is expected to give a boost to financing of infrastructure projects.

Data available for the first nine months of current financial year (April-December 1997) indicate an upturn in the operations of All-India Financial Institutions (AIFIs). AIFIs sanctions and disbursements have gone up appreciably by 58.4% and 20.6% to Rs.52,466 crore and Rs.32,664 crore respectively over the corresponding period of the previous year hinting at revival of corporate investment intentions.

CHAPTER 7

OTHER FINANCIAL INSTITUTIONS AND **IDBI**

Development banking in India has had its genesis in the post independence period. In 1947, the country had the network of commercial banks only, which catered to the short term working capital requirements of trade and industry. The need was therefore, felt for the establishment of development banks to provide medium and long term finance for industry. The first development bank in the country – Industrial Finance Corporation of India (IFCI) was set up in circumstances where normal banking accommodation was in appropriate or recourse to capital issue method impracticable. The country today possesses a fine network of development banks, which have significantly contributed to the industrial development in the country.

AN OVERVIEW

IDBI was setup by an act of parliament as the principal financial institution in the country. IDBI through it's various schemes of direct finance, refinance of industrial loans and bills finance assistance, caters to the growing and diverse needs of medium and large-scale industrial sectors. While assistance to small sectors is provided by it's wholly owned subsidiary SIDBI, IDBI also extends resource support to all India and state level financial institutions and other intermediaries. Besides, IDBI is entrusted with the task of undertaking promotional activities for stimulating industrial development.

INDUSTRIAL FINANCE CORPORATION OF INDIA (IFCI)

IFCI was setup in 1948 under the Industrial Finance Corporation Act 1948 for the purpose of providing medium and long term finance to industry. Besides providing assistance by way of project finance it also extends financial services like equipment leasing, equipment procurement, buyers and supplier's credit, finance to leasing and higher purchase concerns etc. It also provides merchant banking services. It also helps industrialization through a range of promotional activities.

The main object of the corporation is to render financial assistance to large scale industrial concerns, particularly when, ordinarily the bank accommodation does not suit the concern, or finance cannot possibly be raised by the issue of shares. The IFC Act defines an industrial concern as public limited company or cooperative societies, which is engaged in the manufacture, preservation or processing of goods, generation or distribution of electricity, and other forms of power, or mining or hotel industries. Thus, non-manufacturing concerns, private limited companies, partnership or sole – traders cannot get assistance from the corporation. State owned undertaking incorporated as public limited companies could also apply for assistance from the corporation under an announcement made in August 1970.

The IFCI generally deals with requests for loans for Rs. 30 Lac and more. The assistance of IFCI may take the following forms:

- ❑ Guaranteeing of loans or debentures raised or issued by companies floated publicly. The corporation can also guarantee loans raised from scheduled banks or state co-operative banks.
- ❑ Granting of loans or subscribing to debentures of approved industrial concerns. The corporation may convert part of such loans or debentures into equity at its option.
- ❑ Underwriting of the issue of shares or debentures.

- ❑ Subscribing directly to the shares of companies eligible for assistance.
- ❑ Guaranteeing deferred payments by importers of capital goods who are able to obtain such concessions from foreign manufacturers. The corporation can guarantee deferred payments for capital goods manufactured in India. Such guarantee can also be given for loans raised from foreign banks or financial institutions in foreign exchange. Prior approval of the central government is however, necessary for such arrangement.
- ❑ Acting as an agent of the central government and the World Bank in respect of loans sanctioned by them to industrial concerns.

The maximum amount, which can be given as loan to any industrial concern, is Rs. Two crore or 10% of the paid up share capital of the corporation, and the maximum period of a loan can be 25 years. Loans cannot be made unless proper security is given to the corporation through mortgage on the company's property, or through hypothecation or assignment of securities, stocks, shares, debentures, bullion etc. If the corporation is called upon to subscribe to shares underwritten by it, such shares must be disposed off within seven years.

As to the purpose, for which loans may be sanctioned, the corporation's assistance is meant for the establishment of new industrial undertakings, as well as for expansion, modernization and rehabilitation of existing ones. Loans for repayment of existing liabilities are given only in exceptional cases.

Interest is charged on the amount actually withdrawn. A commitment fee of 1 % is charged on the amount sanctioned but not withdrawn. The rate of interest charged by the corporation has been progressively increased. The rate of interest is 15 % P.a. with a rebate of 1% for punctual payment.

Forms of assistance: -

The Industrial Finance Corporation of India's assistance to industrial concerns is in several forms.

- Providing long term loans, both in Rs. and foreign currencies.
- Underwriting of equity, preference and debenture issues.
- Subscribing to equity, preference and debenture capital.
- Guaranty of deferred payments in respect of machinery imported from abroad and purchased in India.
- Guaranteeing of loans raised in foreign currencies from foreign sources.

Terms of lending: -

The interest rate on rupee and foreign currency loans is 15% P.a. with a rebate of 1% for punctual payment. An additional charge of 2% P.a. is payable by way of liquidated damages for defaults in payment of principle and/or interest payable half yearly. Loans are generally repayable in equal half-yearly installment over a period of 5 to 12 years, depending on the profit capacity and cash flow position of the borrower. ¹ The repayment begins after an initial growth period of 2 to 3 years. A commitment charge of 1 % is levied on the unutilized portion of the loan after the prescribed period. Loans are generally secured by a first legal mortgage of all the fixed assets of the borrower, both existing and potential.

¹ Under the act the IFCI could provide medium and long term credits to public limited companies and cooperative societies, particularly, in the circumstances where the rural banking accommodation is in appropriate or recourse to capital issue method is impracticable. Its assistance was meant for public limited companies and cooperatives engaged in the manufacture of goods, or generation or distribution of electricity and other forms of power and mining, shipping and the preservation of foods. Therefore private companies, partnerships and sole traders could not get financial assistance from it. However, by an amendment to the Act, now it is possible for private limited companies to get financial assistance from the corporations.

The Industrial Finance Corporation of India extends assistance to public limited companies, cooperative societies and public sector firms that are engaged in/or, which propose to engage in the different activities.

Sanctions of assistance:-

When the corporation receives an application for loan, it is first examined by its technical and financial staff, which ascertains the soundness of the project. The views of the advisory committee in the particular industry are also obtained. As the Corporation has limited funds at its disposal, it wants to see that the loan is not only properly secured but also profitably used for the industrial development of the country. Therefore it is very careful in judging and evaluating each project before granting assistance. In taking decisions, the corporation keeps in view the following considerations:-

- Importance of the industry in the country.
- Feasibility of the project.
- Profit earning capacity.
- Availability of raw materials.
- Availability of the services of technical persons.
- Competence and experience of the management.
- The extent to which the assistance is likely to help the company in increasing its efficiency.
- Reputation of the company's products.
- Security offered by the company.
- The position of demand and supply in the industry, concerned.

A company applying for finance from the corporation has to adopt a specific procedure.¹ The corporation also sends its officials to access the progress of the project and also appoints its nominees on the board of directors of the borrower company in order to keep in touch with the project.

¹ The Company has to submit an application for the loan along with complete financial and technical details of the proposed project. On receipt of the application the financial and technical staff of the corporation will scrutinize it to ascertain the financial and economic soundness of the profit. Then the board of directors of the IFCI takes the decision on the basis of the recommendations of the advisory committee. Thereafter the company is required to execute a loan agreement. After a loan is sanctioned the Borrower Company has to furnish securities for the loan. Then the loan amount is dispersed (usually in installments). The Borrower Company is required to send regular progress reports to the corporations.

PROMOTIONAL ACTIVITIES

IFCI has played an important role in financing projects in less developed areas. A scheme of concessional finance has liberalized and enlarged in recent years particularly industrial projects located in less developed areas irrespective of their capital cost.

IFCI has created a benevolent reserve fund to undertake various promotional activities that consist of conducting surveys, commissioning feasibility studies, setting up consultancy organizations etc. IFCI has sponsored management development institute. This institute inter-alia: - 1) Imparts training to the clients of IFCI, particularly new entrepreneurs and technocrats. 2) Conducts programs in development banks for the staff of various financial institutions and 3) Offers training programs on identification, promotion and implementation of industrial projects (IPIIP) for the officials of state governments and state level development agencies, industrial credit and investment corporations of India (ICICI).

IFCI CONVERTED INTO IFCI LTD.

For ensuring greater flexibility and an ability to IFCI to respond to the needs of the changing financial system, an enactment called the Industrial Finance Corporation (Transfer of undertaking and repeal) Act, 1993 was passed on 2nd April, 1993. Pursuant thereto, the IFCI Ltd. was incorporated as a company under the companies Act, 1956 on 21st May 1993 and certificate of commencement of business was issued on 24th June 1993. As per the notification issued by the Government of India on 7th June 1993, the undertaking of IFCI under IFCI Act 1948 stands transferred to and kept in the aforesaid Company with effect from July 1st, 1993. IFCI is the first institution in the financial sector in India to be converted from statutory corporation into a public Ltd. company under the Indian Companies Act, 1956. Every shareholder of IFCI became the shareholder of the Company with effect from the same date i.e. 1st July 1973.

Under the IFCI Act, 1948, IFCI was prohibited to enter into the capital market. As a joint stock company IFCI is now able to enter the capital market for resources, through debt and equity instruments.

RESOURCES OF IFCI

Share Capital: The authorized share capital of IFCI is Rs.1000 crore divided into equity share of Rs.10 each. In 1996, 10% of this amount has been converted into cumulative redeemable preference shares of the face value of Rs.10 each.

The paid up capital as on 31st March, 1996 was 352.59 crore, out of which Rs.202.5 crore was allotted to erstwhile Industrial Finance Corporation in exchange of its shares. The balance was issued to public in 1993

Borrowings: IFCI's main dependence for funds has been on borrowings both within the country and outside. The principle source of rupee borrowings has been the Bonds issued by IFCI carrying Government guarantees. After the conversion of IFCI into a company, it has raised funds in the capital markets on market related terms by way of certificates of deposits, Bonds, fixed deposits and other borrowings.

IFCI's MAIN ACTIVITIES:

IFCI is not only a term lending institution, but an active financial intermediary and a provider of a wide range of services to industry. Its main services fall under the following three broad categories:

- Project Finance.
- Financial Services (including merchant Banking and Allied Services).
- Promotional Schemes.

Project Finance: Project Finance is the main activity of IFCI like other development Banks. Under project finance, assistance is provided in the following ways: -

1. Long term loans
2. Underwriting of equity, preference shares and debentures.
3. Subscribing to equity, preference shares and debentures.
4. Guaranteeing the deferred payments in respect of machinery imported from abroad / purchased in India.
5. Guaranteeing of loans raised in foreign currency from foreign financial institutions.

The financial assistance rendered by IFCI is meant for setting up of new Industrial projects and also for the expansion, diversification, renovation or modernization of existing ones.

Financial Services: Under this category, the following schemes of assistance have been introduced by IFCI.

1. Equipment Financing.
2. Equipment Leasing.
3. Equipment Procurement.
4. Installment Credit.
5. Equipment Credit
6. Suppliers' Credit and Buyers' Credit.
7. Finance to Leasing and Hire Purchase Concerns.

These Financial services enable the existing concerns to opt for the facilities, which are most suitable and appropriate keeping in mind their specific requirements.

Promotional Schemes:

As part of its development role, IFCI has introduced a number of promotional schemes. 14 schemes have been devised under which various subsidies are provided to entrepreneurs desiring to start industrial activity, particularly in village, tiny and small-scale sector.

Subsidy is provided for: -

- Meeting cost of feasibility studies.
- Cosultancy to industries relating to Animal Husbandry, Dairy farming, Poultry farming and Fishery.
- Industries based on agriculture, horticulture, sericulture and pisciculture.
- Meeting cost of market research / surveys.
- Providing marketing assistance to small units.
- Cosultancy on use of non-conventional source of energy conservation measures and subsidy for control of pollution in village and small industries sector.

IFCI has also devised schemes for encouraging entrepreneurship development in Tourism and allied activities and for encouraging self-employment amongst persons after retrenchment or rationalization in a sick industrial unit in the organized sector.

IFCI has established a Merchant Banking Division also, which renders a wide variety of services needed for the establishment of industrial enterprises. These services include project counseling, credit syndication, issue management, Debenture Trusteeships etc.

INSTITUTIONS PROMOTED BY IFCI

IFCI has promoted the following specialized institutions to cater to the needs of industry:

Risk Capital and Technology Finance Corporation Limited (RCTC):

This corporation provides risk capital to the first generation entrepreneurs and also Finance for Technology Development particularly for advancement, promotion, transfer or adoption of Technology.

Tourism Finance Corporation of India Limited (TFCI):

This corporation provides finance to Tourism, hotel and other Tourism related projects.

Management Development Institute (MDI):

This institute provides training in modern management techniques to entrepreneurs and technologists starting industries and also to executives. The institute also undertakes research in industrial and Business Management, development Banking and related matters.

Technical consultancy Organizations (TCO):

These organizations have been established in various states to provide total package of consultancy from the concept stage to the commissioning of industrial projects with special emphasis on tiny and small-scale entrepreneurs.

Tourism Advisory and Financial Services Corporation of India Ltd. (TAFSCI):

It undertakes micro level project consultancy, preparation of project profits and building up of data Bank.

INSTITUTIONS CO-SPONSORED BY IFCI:

IFCI has also co-sponsored the following national institutions:

- Stock Holding Corporation of India Ltd.
- Over the Counter Exchange of India.
- National Stock Exchange of India Ltd.
- LIC Housing Finance Ltd.
- GIC Housing Finance Ltd.
- Entrepreneurship Development Institute of India.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)

ICICI was established as a public limited company in January 1955 with support from government and active participation of the World Bank. The primary objective of IDBI is to meet the foreign exchange requirements of industrial projects and to promote industries in the private sector. ICICI also provides project finance by way if rupee and foreign currency loans, underwriting and direct subscription to shares, debentures and guarantees. With a view to making available assistance to industry in different forms, ICICI has consciously diversified it's activities and expanded it's financial services segments to cover leasing, asset credit deferred credit and installment sale. It also provides merchant banking services. ICICI sponsored the first issue of the OTC exchange of India in August 1992.

ICICI seeks to provide assistance to units in the private sector particularly to meet their foreign exchange requirements. Although it began its operations as a wholly privately owned institution, yet with the nationalization of life insurance business, the LIC became a relatively large shareholder in it. Unlike other corporations this one is international, both in its ownership and operations. Its share capital is subscribed by both India and foreign investors from the UK and the USA.

RESOURCES:

ICICI has raised increasingly large funds in the capital market every year, both in Indian rupees and foreign currencies. The principal sources of funds are:

Share Capital:

The authorised capital of the corporation is rupees 500 crore. In Feb.1991, ICICI made a public issue of equity capital at a premium and during 1995-96, the corporation raised preference share capital of rupees 75 crore. The total paid up capital thus amounts to rupees 376.30 crore as on 31st March 1996. The capital has become 962.66 crore in Dec.2003 as per the details available on the website.

Borrowings:

The corporation's main source of funds is the amount raised through bonds in the Indian capital markets. In the past the corporation was permitted, like other development banks, to raise resources through the government guaranteed bonds, which used to meet the Statutory Liquidity Requirements of commercial banks. But the funding pattern has changed significantly during recent years. The government guaranteed bonds which constituted 87% of ICICI's rupee resources in 1985, accounted for no more than 30% during 1991-92*. Since 1992-93 corporation has not got any allocation from government guaranteed bonds and almost the entire requirement of resources has been raised through borrowings in the capital market. These bonds are distinct from government guaranteed bonds.

The above shift from government guaranteed bonds to market rates – related bonds has the impact on the cost of funds raised by the corporation. While the outstanding government guaranteed bonds maturing from 1998 to 2002 carry interest rates in the range of 6.5% to 9.75%, the bonds in the latter category carry interest at higher rates upto 16%. This has narrowed down the margin between the cost of funds and lending rates.

Loans and advances from government:

ICICI has also availed loans and advances from the Government of India, which are

* Business Today: www.business-today.com, Nov.2002.

in terms of agreements under World Bank Credit, for various purposes. These loans are also out of interest Differential Funds in terms of various agreements. Advances have also been received by ICICI from Industrial Development Bank of India against issue of special redeemable debentures.

Other sources of Borrowings:

During recent years the corporation has tapped other non-conventional sources of funds also as follows:

- Inter-Corporate Deposits.
- Certificates of Deposits.
- Loans and Deposits from other financial institutions and banks.

Foreign currency:

The corporation has raised foreign currency loans in the following ways

- From multi-lateral/ bilateral credit agencies, guaranteed by the Government of India.
- From international banks, institutions and consortiums guaranteed by the government of India.
- Bonds guaranteed by the Government of India in foreign currencies.
- US \$ convertible bonds, convertible at premium into equity share at the option of the bondholders.
- US \$ bonds issued at discount redeemable at Par.

FORMS OF ASSISTANCE

ICICI offers assistance in the form of long term and medium term loans, both in Rs. and in foreign currencies, repayable in a period of fifteen years. In addition the corporation offers underwriting of capital issues, subscription to equity and preference share capital. The ICICI also offers assistance by:

1. Guaranteeing Rupee payments of loans from other sources in the case of deferred payments for capital equipment.
2. Loans in foreign currency towards the cost of imported capital equipment.
3. Managerial, technical and administrative advice and assisting in obtaining such services to the Indian industry.
4. ICICI provide assistance to units whether organized as a joint stock company, firm or a proprietorship concerns.

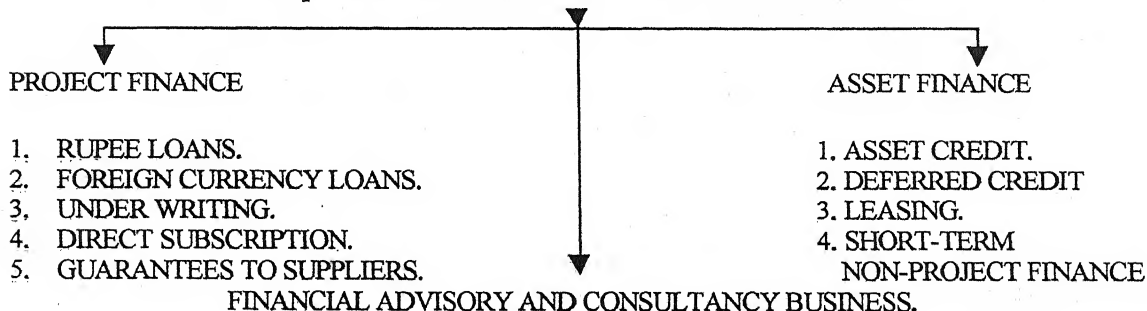
TERMS OF LENDING

The normal lending rate on rupee and foreign currency loan is 14%. A commitment charge of 1% is payable on the undrawn amount of the loan for the first year and beyond the first year the commitment charge is $\frac{1}{2}$ %.

Loans are generally granted for a period upto 15 years. Loans are secured by a first legal mortgage of all the fixed assets of the borrower, both existing and potential. Where a project is financed jointly with other financial institutions, *pari - passu* charge on the mortgaged assets, is created in Favour of the other financial institutions.

ACTIVITIES OF ICICI

The present activities of ICICI are classified as below: -



The significant feature of ICICI's operation is the significant share of foreign currency loans sanctioned by it, in the total sanctioned assistance. This has been made possible because of the facility it enjoys of raising funds in foreign currencies. The word bank has been sanctioning to it lines of credit for lending to the private industrial sector. It has raised foreign currency loans from other institutions abroad and has entered international capital markets also. Recently it has granted assistance for technology up-

gradation and modernization of balancing equipment out of word bank's lines of credit. New projects with export potentials have also been financed.

ASSET FINANCING

The ICICI has recently expended its asset financing activities. In the field of leasing of industrial equipment the corporation maintains its dominant position. The leased assets are diverse in nature and include various types of plant and machinery. The clients include both in the medium and large-scale sectors. The corporation has written a few foreign currency leases also.

Under deferred payments financing of sale of industrial equipment, ICICI provides assistance to the suppliers of such equipment who sale their equipment on deferred payment terms.

The corporation also provides non-project-based finance for short periods mainly in the form of bridge loans etc.

DEBENTURE TRUSTEESHIP

ICICI acts as a trustee for the holders of debentures and bonds issued by the companies to the public, by way of rights or on private placement basis with financial institutions, mutual funds and others.

CAPITAL MARKET OPERATIONS

ICICI plays an important role in the development of capital market in India. It underwrites the issues of shares & debentures by companies. During 1995 – 1996 twenty-five issues of shares and debentures for Rs. 182 crore were underwritten by ICICI. Out of which Rs. 91 crore were devolved on it forming 50 % of the amount underwritten. It was due to depressed market conditions during the previous year it constituted just 4% of the amount underwritten.

The corporation also pursues a more active policy with regard to disinvestment of the investments at a good return and realizes higher capital gains. During 1995 – 96 Rs. 70.41 crore (net) were realized as capital gains.

CUSTODIAL SERVICES

The corporation also offers these services to its clients, which include foreign financial institutions, offshore funds and overseas depository banks for Euro-issues. The services rendered by it include assistance in obtaining necessary approval from regulatory bodies, besides extensive custodial functions of settlement, safe-keeping, benefit collection, corporate action and valuation of portfolio.

ADVISORY SERVICES AND CONSULTANCY

The advisory services division of the corporation provides fee based advisory services to clients in the private corporate sector and government and quasi-government organizations. The primary objective of the division is to facilitate the creation of better projects and improve the business environment. The corporation has developed a keen insight into various facets of the business environment in India and the investment opportunities available in India.

BUSINESS CONSULTANCY DIVISION

Since 1994 this division provides consultancy service to Indian corporate for restructuring their operations and reshaping their strategies to attain global competitiveness. The team of experts under this division handles various assignments.

PROMOTIONAL ACTIVITIES

In conformity with overall governmental policies, ICICI has set up a project promotion department which: 1.) Provides promotional services and assistance to individual projects on a selective basis 2.) Participates in the coordinated efforts of the state level finance and promotional agencies, nationalized banks, and all India financial institutions in Identifying and developing projects and entrepreneurs in backward regions and 3.) Works with other institutions in preparing techno-economic surveys for backward states, conducting feasibility studies and implementing identified projects.

MERCHANT BANKING DIVISION

ICICI has established merchant banking division. This division:

- Advises clients on raising finance in a suitable manner.
- Provides guidance on restructuring of finances for existing companies.
- Assists in preparing proposals for submission to financial institutions and banks.
- Serves as managers to the issue of capital.

MANAGEMENT AND WORKING

The management of ICICI is vested in a board consisting of 11 directors of these 7 represent Indian shareholders, 2 British, 1 American, and 1 is nominated by the Government of India. The ICICI has a commendable record of assistance to industrial enterprise. Assistance has been provided in the form of Rupee loans, foreign currency loans, guarantees, underwriting and direct subscriptions to securities.

ICICI commenced leasing operations in 1983. The industries helped, under leasing, included textiles, engineering, chemical fertilizers, cements, sugar etc. Between 1983 & 1994 (March) ICICI had sanctioned nearly Rs. 1800 crore as leasing assistance.

Apart from these, ICICI has promoted the following companies and institutions in recent years:

- ☆ Technology development and Information Company of India Ltd., promoted by ICICI to finance the transfer and upgradation of technology and provide technology information.
- ☆ Credit rating information services of India Ltd. set up by ICICI in association with Unit Trust of India to provide credit rating services to the corporate sector.
- ☆ Program for acceleration of commercial energy research, funded by U.S.A.I.D. with a grant of US. \$20 million to support selected research and technology development proposals in Indian energy sector. PACER was launched by ICICI
- ☆ ICICI introduced two new projects with the help of U.S.A.I.D i.e.,
 - 1.) Agricultural commercialization and enterprise project with a grant of US. \$20 million and,
 - 2) Trade in environmental sciences and technologies program with a grant of US. \$25 million.

STATE FINANCIAL CORPORATIONS (SFCs)

SFCs were setup under the SFCs act 1951. SFCs operating at the state level form an integral part of the development of the financing system in the country. They function with the objective of financing and promoting small and medium enterprises for achieving balanced socio-economic growth, catalyzing higher investments, generating greater employment opportunities and widening the ownership base of industry. They extend financial assistance to industrial units by way of term loans, direct subscription to equity and debentures, guaranteeing and discounting of bills of exchange. SFCs also operate a number of schemes of refinance and equity type of assistance formulated by IDBI / SIDBI. Some of the schemes, which seem worth mentioning are the schemes for artisans, special large groups like SC & ST. women, ex-servicemen, physically handicapped for transport operators, setting up of hotels, tourism – related activities, hospitals and nursing homes etc.

To sum up it can be said that although economic growth is visualized since second world war Indian economy experienced the essence of it only after first and second five year plans. Economic growth has been widely accepted by economists as a major goal of national policy in both the industrialized as well as developing countries. Experts have left no room to bring out the definition of economic growth. Difference in their style of representation is obvious but there seems a little dissimilarity as all of them adept to comply with economic

growth in order to increase national income. Observing the definitions from close corners it is said that the economic growth implies long-term rise in per capita national output and national income, without affecting the face value and intrinsic value of the currency in an economy. Economic growth is keenly associated with capital, which constrained capital formation. The process of capital formation involves three distinct but inter dependent activities such as saving, finance and investment. Effective mobilization of savings is most desirable and productive investment gives rise to capital formation in an economy.

OBJECTIVES OF SFCs

Basically the object of SFCs is to provide medium and long-term financial assistance to smaller industrial concerns. These corporations are closely modeled on the lines of the IFCI and are empowered to provide assistance for purposes of modernization, renovation, expansion and diversification. However, the scope of activities of the SFCs is wider than that of the IFCI in that there is no restriction on industrial concerns with regard to the form of business ownership and organization. Thus, they are authorized to assist public limited companies, private companies, partnership and proprietary concern. These corporations are permitted to provide assistance to industrial concerns in the following forms:

- ⇔ Granting loans or advances or subscribing to debentures of industrial concerns repayable within 20 years.
- ⇔ Guaranteeing loans raised by industrial concerns on such terms and conditions as may be mutually agreed upon but they should be repayable within 20 years:
- ⇔ Underwriting the issue of stocks, bonds or debentures of industrial concerns subject to their being disposed of in the market within 7 years.

It is noteworthy that SFCs are prohibited from directly subscribing to the stocks, shares, bonds or debentures of industrial concerns, except out of the special capital. A SFC is prohibited from granting any assistance to a concern whose paid - up capital and free reserves together exceed Rs. 1 crore. The under limit to the aggregate assistance that could be granted

by SFCs to any single company or cooperative society is Rs. 30 Lac and Rs. 15 Lac to all other borrower.

RESOURCES OF SFCs

The resources consist of:

- (a) Share capital and reserves
- (b) Borrowings
 - (i) Bond issues
 - (ii) From Reserve Bank of India, scheduled banks, institutions and also by the members of the public,
 - (iii) From the State Governments, and
 - (iv) Re-finance from the IDBI, and
- (c) Fixed deposits.

7.16

The authorized capital of the SFCs ranges between Rs. 1 crore and Rs. 5 crore. The members of the public cannot hold more than 28 percent of the shares. The shares are to be guaranteed both with regard to principal and interest by the State Government concerned. For the purpose of augmenting the resources, bonds and debentures can be issued in consultation with the Reserve Bank of India under the overall condition that the total liabilities of a corporation should not exceed 5 times its paid-up capital and reserves. Public deposits for a period of not less than 5 years and up to an amount equal to the paid-up capital of a corporation can also be accepted.

OPERATIONAL POLICIES

Some of the salient features of the operational policies of the SFCs are:

- (1) Assistance to small and medium enterprises on liberal terms, such as the requirements of margin, rates of interest and period of loans, and so on.

- (2) Assistance to backward areas with a view to promoting a more balanced regional distribution of industrialization.
- (3) Assistance to technician entrepreneurs under the special scheme ranging between Rs. 2 Lac and Rs. 3 Lac on liberal terms. A recent development in this area is that the SFCs are providing Seed Capital assistance from their special share capital exclusively subscribed by the IDBI and the State Governments to the needy small entrepreneurs
- (4) Meeting the foreign exchange requirements of medium and small projects. This has been possible due to the sanction of lines of credit to the IDBI by the international development association (IDA). The IDA credit is available to the IDBI for re-financing loans, granted by SFCs to the industrial concerns. These loans are granted for the setting up of new projects as also for expansion, diversification, modernization, or renovation of existing units, particularly in cases where, a portion of the loan is for financing imports of equipment from abroad and/or for technical know how, in special cases.

OPERATION OF THE SFCs

The overall policy and operation of the SFCs are shaped by the RBI rulings and the respective State Governments. The equity capital of each SFC is contributed mainly by the state governments and others as stated earlier. Moreover the state government stands guarantee for the loans received by SFCs in the market and fixed deposits collected from the public.

SFCs grant loans and advances not only to public limited companies and co-operative societies, but also to private limited companies, partnerships, joint Hindu families or sole proprietor concerns. SFCs can finance both new and existing concerns, for providing working and fixed capital. Small-scale sector receives the major chunk of assistance provided by the SFCs.

A state Finance Corporation can charge commission for the services rendered by it in connection with (i) Underwriting and (ii) Guaranteeing types of business mentioned. In

case it has to retain any shares or debentures under an underwriting agreement, it must dispose off them as early as possible but not later than 7 years from the date of acquisition.

The corporations have mostly given assistance by way of loans. The financial assistance by a corporation is provided only when there is sufficient security by way of a pledge, mortgage, hypothecation of Government securities, stocks or movable or immovable property ¹. There is a margin of 50 percent on the security, furnished by the applicant. The rate of interest varies between 14 to 18 percent.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

In the field of financing of small-scale industries in India, a separate Apex Development Bank started its operation from April 2, 1990. The Small Industries Development Bank of India (SIDBI) has been set up under an Act of Parliament as the principal financial institution for promotion, financing and development of industries in the tiny and small scale sector. It coordinates the functions of other institutions engaged in similar activities.

The major activities undertaken by this Bank are as follows:

⇒ Refinancing of term loans granted by banks and other eligible financial institutions, namely the State Financial Corporations and State Industrial Development Corporations.

⇒ Direct discounting as well as re-discounting of bill arising out of sale of machinery or capital equipment by manufacturers in small scale sector on deferred credit.

¹ State Finance Corporation are now functioning almost in all the states. The bulk of the assistance sanctioned by the State Finance Corporation went to projects of small-scale industries and particular units located in backward areas/districts. The State Finance Corporation is playing an important role in the sphere of industrial finance.

- ⇒ Equity type assistance under National Equity Fund and by way of seed capital to entrepreneurs.
- ⇒ Re-discounting of short-term trade bills arising out of sale of products of small-scale sector.
- ⇒ Resources support to National Small Industries Corporation and other institution concerned with small industries.
- ⇒ Share capital and resources support to factoring organizations.

Besides its share capital (Rs. 450 crore) which is wholly subscribed by IDBI, the Bank has been sanctioned limits by the Reserve Bank of India out of National Industrial Credit (Long Term Operations) Fund. Government of India has also provided its long-term, interest-free loan and also contributed to the National Equity Fund maintained by the Bank. SIDBI has also raised resources in foreign currencies from the following two sources:

- OECE, Japan has sanctioned loans for on lending to small-scale units through the refinance scheme of SIDBI.
- The Asian Development Bank of India has sanctioned the line of credit of US \$ 100 million to IDBI for on lending to small-scale and medium scale units, through selected SFCs. IDBI has drawn from this line of credit against its refinance assistance to small-scale units.

In recent years IDBI has established a number of subsidiaries. SIDBI is one of them.

“IDBI BANK Ltd.” established during Nov 1995 has also opened more branches, Indore & Hyderabad is important amongst them.

“IDBI CAPITAL MARKET SERVICES Ltd.” is a wholly owned subsidiary of IDBI and operates in the areas of stock-broking and other related activities.

“IDBI INVESTMENT MANAGEMENT Co. Ltd.” set up a mutual fund as a trust under the Indian trust act in 1994 - 95.

NEW INSTITUTIONS CO-SPONSORED BY IDBI

Besides setting up the above subsidiaries, the IDBI has co-sponsored a number of new institutions in the financial sector in India, i.e. the National Stock Exchange of India, Over the Counter Exchange of India, Discount and Finance House of India, Stock Holding Corporation of India, Credit Analysis and Research Ltd.

IDBI has thus played a significant role as institution builder in the country and is expected to play a much vital role in future for the growth and development of India's economy.

A CRITICAL ASSESSMENT

Financial institutions are the intermediaries through which savings are pooled to put in productive capital. They help in allocation of funds between different industries in consonance with the priorities laid down in plan. Financial institutions provide both direct and indirect financial assistance to the industrial units.

There are quite a number of financial institutions that have come into existence to meet the financial requirements of industrial units. Among them IDBI, IFCI, IRBI and SIDBI are categorized under development banks, while RCTC, TDICI, SCICI and TFCI are the specialized financial institution. The investment institutions are LIC, UTI and GIC. Further SFCs and SIDCs are coming under state level financial institution.

A COPMARISION TABLE FOR A "ONCE-EYE" VIEW

<i>NAME OF THE INSTITUTION</i>	<i>YEAR OF ESTABLISHMENT</i>	<i>OBJECTS</i>	<i>FORMS OF FINANCIAL ASSISTANCE</i>	<i>ELIGIBILITY FOR ASSISTANCE</i>
IFCI	1948	Provision of medium and	Granting and guaranteeing	Large-scale enterprises in the

long-term financial assistance to industries.	loans, underwriting direct subscription, guaranteeing deferred payments.	private sector organized as public limited companies, cooperatives, joint and public sector undertakings.
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SFCs	1951	Provision for medium and long-term finance to small and medium sized industries and state level.	Same as IFCI.	Industrial Enterprises in private sector organized as private companies, public limited companies, partnerships and sole proprietorships.
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ICICI	1995	Assisting in the creation of new, and expansion and modernization of existing enterprises in the private sector.	Granting and guaranteeing loans, underwriting, direct subscriptions, provision and managerial, technical and	Large scale industrial enterprises in private sector.
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administrative
advice.

IDBI	1964	Assisting, supplementing and coordinating the financial and development institution in both private and public sectors.	Direct and indirect assistance, and promotional activities.	All types of enterprises
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SCORING PATTERN OF FINANCIAL PERFORMANCES

Some of the data relating to financial performance of IDBI has been compared with the data of ICICI and IFCI. The year 1999 – 2000 and 2000 – 2001 is taken into study for their income, expenditure and profit. Comparative percentages have been worked out in connection with their performances and even operating profit, net profit, and provisions etc. have been taken into account.

Comparative data will give once eye view so far as their financial performances are concerned: -

Financial performance of IDBI, ICICI and IFCI

(1999 – 2000 & 2000 – 2001)

(Amount in Rs. Crore)

ITEM			IDBI			ICICI			IFCI			
	1999 – 2000	2000 – 2001	Variation	Variation Percentage	1999 – 2000	2000 – 2001	Variation	Variation Percentage	1999 – 2000	2000 – 2001	Variation	Variation Percentage
A. Income	7859.62	7834.77	-24.85	-0.32%	8466.39	9298.05	831.66	9.82%	2899.76	2890.39	-9.37	-0.32%
i) Interest income	6224.51	6191.38	-33.13	-0.53%	8117.43	8836.17	718.74	8.85%	2843.38	2879.93	36.55	1.29%
ii) Other income	1635.11	1643.39	8.28	0.51%	348.96	461.88	112.92	32.36%	56.38	10.46	-45.92	-81.45%
B. Expend iture	6912.62	7143.80	231.18	3.34%	7260.64	8760.78	1500.14	20.66%	2840.39	3152.32	311.93	10.98%
i) Interest expende d	6370.00	6594.91	224.91	3.53%	5785.23	6376.78	591.55	10.23%	2535.74	2520.09	-15.65	-0.62%
ii) Provisio ns	80.00	43.00	-37.00	-46.25%	244.00	918.90	674.90	276.60 %	178.40	495.90	317.50	177.97 %
iii) Other Expense s	462.62	505.89	43.27	9.35%	1231.41	1465.10	233.69	18.98%	126.25	136.33	10.08	7.98%
Operati ng profit	1027.00	733.97	-293.03	-28.53%	1449.75	1456.17	6.42	0.44%	237.77	233.97	-3.80	-1.60%
Net profit	947.00	690.97	-256.03	-27.04%	1205.75	537.27	-668.48	-55.44%	59.37	-261.93	-321.30	-541.18 %
Total Assets	72285.4 3	71783.4 1	-502.02	-0.69%	65389.5 6	73413.7 3	8024.17	12.27%	23371.1 7	22778.8 1	-592.36	-2.53%

(Source – WWW.RBI.ORG October 2003)

On the basis of figures available, financial ratios are worked out to have clear - cut comparative study, so far as IDBI, ICICI and IFCI are concerned. Data pertaining to Year 1999 – 2000, 2000 –2001 are taken into study.

Financial ratios *(Percentage ratio to total assets)*

Years	1999 – 2000	2000 – 2001	Variation	1999 – 2000	2000 – 2001	Variation	1999 – 2000	2000 – 2001	Variation
Operating profit	1.42	1.02	-0.40	2.22	1.98	-0.24	1.02	1.03	0.01
Net profit	1.31	0.96	-0.35	1.84	0.73	-1.11	0.25	-1.15	-1.40
Income	10.87	10.91	0.04	12.93	12.67	-0.28	12.41	12.69	0.28
Interest income	8.61	8.63	0.02	12.41	12.04	-0.37	12.17	12.64	0.47
Other income	2.26	2.29	0.03	0.53	0.63	0.10	0.24	0.05	-0.19
Expenditure	9.56	9.95	0.39	11.10	11.93	0.83	12.15	13.84	1.69
Interest expended	8.81	9.19	0.38	8.85	8.69	-0.16	10.85	11.06	0.21
Other expenses	0.64	0.70	0.06	1.88	2.00	0.12	0.54	0.60	0.06
Provisions & contingencies	0.11	0.06	-0.05	0.37	1.25	0.88	0.76	2.18	1.42

With a variegated structure the development banking institution as a group, have played a significant part in the economic development of India via investment market and

have emerged as the backbone of the financial system. With the above table comparative figures, so far as IFCI and ICICI are concerned, have been taken into account. IDBI as compared to these institutions have played a different role. Ratios of their enhancement as also their downfall have been taken into study. The table reveals that: -

- The income of IDBI in 2000 – 2001 has gone down by 0.23% as compared to the year 1999 – 2000. The major downfall is of interest income. Although the other income has increased.
- The expenditure in the same period has increased by 3.34%. Although the provisions made by IDBI were reduced by 46.25%.
- ICICI during this period has enhanced their income by 9.82%. But IFCI's income got down by 0.32%.
- So far as the enhancement of expenditure was concerned, ICICI and even IFCI have increased their expenditure by 20.66% and 10.98 % respectively.
- Provisions made during the year by ICICI and IFCI have shown a good sign. ICICI has increased their provisions by 276.60% and IFCI enlarged their provisions by 176.97% during this period.
- The operating profit of IDBI in 2000 – 2001 gone down by 28.53% as compared to the year 1999 – 2000. Both ICICI and IFCI also showed a decreasing trend. Although ICICI earned an overall profit, but the net profit for this period decreased by 55.44%.

The financial ratios as shown by the above table reveal that, both the net profit and operating profit of IDBI have reduced. These ratios were compared with their total assets. The ICICI and IFCI have also shown a reducing trend. The total assets of IDBI in 2000 – 2001 reduced by 0.69 % as compared to the year 1999 – 2000. Similarly IFCI also declined by 2.53% during this period. The total assets of ICICI which were 65389.56 crore in 1999 – 2000 have increased to 73413.73 crore in the year 2000 – 2001, which shows an increase of 12.27% as compared to the previous year. The total expenditure ratio to fixed assets of IDBI was 9.56% in 1999 – 2000, which increased to 9.95% i.e. 0.39% enhancement in 2000 – 2001. This ratio of ICICI was 11.10%, increased to 11.93% i.e. 0.83% enhancement in 2000 – 2001 as compared to the year 1999 – 2000. IFCI during this period spent more i.e. 12.15% in the

Year 1999 – 2000 and 13.84% in 2000 - 2001. The ratio of expenditure increased by 1.69%. The above comparative study initially approaches to make an institutional comparison of the institutions.

Issues and Suggestions

With an overview of financial institutions it can be said that the country today possesses a fine network of development banks, which have significantly contributed to the development in the country. IFCI, ICICI and SFCs along with IDBI have done well in the area of development. However some important suggestions can be given in this regard.

- Undoubtedly these institutions have played a very significant role in the industrial development of the country, but still a lot is required to be done so far as their financial strength is concerned.
- All the financial institutions are required to adopt containment of non-performing Assets. Although all the above have initiated several measures for containment of NPAs, but still a well equipped monitoring system is required to improve recovery and initiate timely remedial action.
- ICICI, IFC and IDBI should increase the utilization of sanctions in backward areas and should follow a different set of norms for disbursements in backward areas than those in the developed areas.

- Regarding sanctions and disbursements, it can be suggested that the institutions should make attempts to reduce disparities between the states. In addition to this attempt should be made to overcome the regional imbalances.

- Socio – Political environment prevailing in a particular region closely influences the process of industrialization. These factors have led several entrepreneurs to prefer setting up their units. However the government has been alive to the problem of inadequate industrialization. It has formulated its industrial policy incorporating, inter-alea various incentive schemes for units to be setup in industrially backward areas.

- Our country is witnessing a gradual unshackling of the Indian economy from being inward looking, heavily regulated, controlled and high cost economy to an open minimally controlled and internationally competitive economy. With a view to provide greater Phillip to the industrialization as also to attract outside entrepreneurs these institutions are required to adopt several measures which include up gradation and expansion of infrastructure.

- A Venture Capital Fund should be planned to formulate and channelised by these investment financial institutions, which will help to overcome resource gap faced by entrepreneurs for Technology Oriented Projects and shall encourage industries utilizing new and innovative technology as well as Project and Technology up gradation based on research and development.

 - One of the most important suggestions for these financial institutions is that, they should restrict and control their administrative and general expenditure. This will help these national level institutions to maintain income as well as their financial strength also.
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CHAPTER-8

THE FUTURE OF IDBI

The operational and financial performance of IDBI during the post liberalization period reveals that the bank diverse strength from it's long experience of financing projects in various industries and it's close relationship with major business groups of the country. Virtually all the major industrial houses are clients of the bank. It is one of the few organizations in the country that can provide total financial solution to global-sized projects. Entry into commercial banking could be one way to achieve diversification. Commercial banking would inter-alia provide a wide retail reach, making it possible to raise low cost funds and to acquire a wider array of assets, which will also facilitate maintaining overall assets quality at the required level.

While the new technology has obviated the need to have widespread branch network, it is important to build an appropriate technology platform to attract and retain customers. It would also be necessary to acquire a critical mass of banking assets so as to get the benefits of diversification.

ROLE AND ITS EFFECTIVENESS:

With a variegated structure, the development banking institutions, as a group, have played a significant part in the economic development of India via

Investment Market and have emerged as the backbone of the financial system. The role is broadly grouped as quantitative and qualitative.

The term quantitative as applied with reference to the part played by the IDBI refers to the magnitude of funds provided by them jointly to industrial enterprises. In the first place IDBI has been able to push up investment in the private sector, in spite of the fact that the conditions in the investment market have been, by and large unfavorable.

Secondly, the operations of development banks have the effect of improving the allocative efficiency of the financial system. In other words, it performs the dual function of a substitute for the capital market in that when industrial enterprises are unable to raise funds from the normal sources, development banks fill the gap as well as resuscitate the capital market.

Thirdly, the development banks thoroughly appraise a project as regards its priority aspect, financial viability and economic soundness and so on. The rigorous and exact scrutiny by the development banks tones-up the quality of industrial project and enables a more efficient use of the available resources.

Finally, the appraisal by the IDBI is impersonal and objective. This results in financial assistance to diverse enterprises for a wide variety of purposes which otherwise would not have been possible.

To conclude the quantitative role of IDBI in terms of totality of impact they have grown into a considerably significant source of funds and have emerged as the mainstay of industrial enterprises in India as regards their requirements of industrial capital.

The relevance of development banks is not merely quantitative. It has an overwhelmingly qualitative dimension also in terms of the recent orientation towards promotional and innovational functions in their operations. Today the concern is also with project identification and formulations with the evolution of meaningful strategy of industrial development

The essential elements of which, is the development of backward regions, encouragement to a new class of entrepreneurs and enterprises and rehabilitation of sick mills.

As a conscious policy to meet the changing needs of corporate, IDBI has laid greater emphasis on non-project finance in the recent past, which would continue in the current year. The Bank would make efforts to add to its existing range of products viz. short term/ working capital finance, investments in shares and debentures, secondary market operations and other asset based loans. Focus on fee-based income and non-fund based activities would be in line with the strategy of the Bank to provide one-stop services.

The proposed labour and insolvency legislations would provide the much-needed flexibility to corporate in their restructuring endeavors, giving rise to increased business opportunities for the Bank in both fund-based and non-fund based activities. The Bank will also maintain its thrust on debt recovery efforts, aided by strengthening of bankruptcy and foreclosure laws.

The keen competition for business in coming years would impart substantial pressure on margins. The magnitude and cost of resources mobilized from domestic and international markets would considerably condition the contours of asset growth. IDBI would continue to evolve innovative products tailored to latent investor preferences and leverage its strong financials and impressive brand equity to successfully garner cost-effective funds to support its lending activities at targeted levels.

In a nutshell, IDBI would continue to reach the acme of excellence in its chosen niche area in the emerging configuration of institutional finance.

IDBI's Capital Markets Division has successfully executed a variety of assignments for reputed public as well as private sector companies. By virtue of being a leading financial institution, it has played a pioneering role in advisory services as well as being a leading arranger in the Indian market for project debt, having concluded some of the largest syndication transactions in the Indian market.

Future strategy

IDBI is fundamentally a stable organization deriving its strength from its long experience of financing projects in various industries and its close relationship with major business groups of the country. Virtually all the major industrial houses are clients of the Bank. It is among the few organizations in the country that can provide total financial solutions to global sized projects. Its active involvement in various policy forums for presenting the lenders' viewpoint has bestowed on it the ability to influence the operating environment. The strong brand equity for its resource-raising instruments and well-trained professionals in its area of core competence add to the strength of the organization. This coupled with healthy business growth would be aimed at maintaining its leadership position in the Indian financial system as well as assuming a prominent position among international financial institutions.

IDBI would continue to focus on the infrastructure sector. It would also target increased assistance to the new economy segments like information technology, pharmaceuticals, biotechnology, communication and entertainment. The core service would be fund based, dovetailed by client-driven business deals and a structured product-matrix, in line with the continuing strategic accent on providing integrated financial services to the client. Further, in order to increase its business and overall profitability, IDBI would intensify its efforts in the area of equity participation and fee-based activities. The Bank would aim at pursuing growth in the volume of business and endeavor to maintain asset quality

FUTURE OUTLOOK

The fiscal year 2002-2003 has begun on a positive note the international economic outlook is encouraging with the steady improvement of the US and the European economies. This has led to expectations of a much improved export performance. The prospects of favorable agricultural output and enhanced infrastructure spending by the government have also created the necessary climate for

revival of industrial investment. Further the low inflation and the prevailing softer interest rate regime will also provide an enabling environment for industrial recovery. The business outlook for IDBI during 2002-03 thus appears encouraging.

The strategy for healthy business growth, during 2002-03 would revolve around, improvement in asset quality, increase in business income and reduction in costs - borrowing as well as administrative. Emphasis will be given for improving the overall asset quality by improving collection / realization from existing NPAs and preventing incremental NPAs. IDBI's future approach will be focused upon maximum possible recovery by arriving at settlement/enforcing collaterals, settlement dues through disposal of surplus assets, pursuing with respective State/Central Government for recovery of defaults in guaranteed cases and debt restructuring on a case-to-case basis.

The Bank will make efforts to further reduce its cost of borrowing by available means. Fresh borrowings will be raised at an optimum combination of cost and maturity. The Bank has decided to give a thrust to tap retail funds through Suvidha Fixed Deposits. This would enable the Bank to access stable sources of funds. The Bank will also continue its thrust on fee-based activities to augment its fee-based income.

In order to remain competitive in the emerging financial environment and in tune with the financial sector reforms, IDBI has chosen universal banking as its basic business model. The Bank is on the move towards universal banking.

As a consequence of financial sector reforms, the dividing line between development banking and commercial banking is getting blurred. The emerging financial services industry is becoming more and more competitive with lower margins, focus on customer satisfaction and I.T – enriched operating environment. In the present soft interest rate environment, blue – chip companies are able to raise funds directly, affecting the business volume of financial intermediaries. The imminent changes are reflected in several cases of mergers and takeovers in the financial sector.

The competitive business environment and weak investment demand has impacted business growth and profitability of the bank's operations in recent years. The bank has formulated its short and long-term strategy to reposition itself in the new business environment.

The short-term strategy focuses on improvement of asset quality, business diversification, reduction in costs and improved risk management practices. In course of time the bank wishes to convert itself into a universal bank.

As a part of its strategy to reposition itself, the bank has decided to focus on less risky sectors / clients in sanctioning of fresh credit proposals. The slow down in sanctions and disbursements of fresh assistance by the bank partly reflects the consolidation strategy and its approach of being selective in new business. The bank is making concerted efforts to shift its focus more towards non-project lending and fee-based services in tune with diverse needs of its clients. This is reflected in the larger portion of non-project lending during 2001 – 02.

The bank is making concerted efforts to reduce the level of NPAs by various methods, including one time / negotiated settlements.

The bank has taken several measures to reduce interest costs by retiring high-cost debt raised in the past and raising fresh debt from retail customers. This is reflected in decline in the marginal and average cost of borrowing in the year 2001 – 02.

As an appropriate risk containment strategy, the bank has decided to impose absolute limits on exposure to individual companies/industries/groups at levels lower than those prescribed by the R.B.I. The bank has also decided to develop internal rating mechanism for companies on the basis of which appropriate exposure limits can be specified. In order to manage the credit risk in course of its lending and other business activities, the bank has taken a major initiative in putting in place a comprehensive credit risk management framework in association with an international consultant.

In order to strengthen the bank's capital base further and to take care of future growth of business, fresh bonds with a maturity of 20 years expendable were issued during the year to government of India in lieu of outstanding loans.

The reforms in the financial sector have posed new challenges for the development finance institutions like IDBI. The IDBI has chosen universal banking as its basic business model.

VISUALIZE PROBLEMS

The biggest problem of these banks is NPAs. Banks are making concerted efforts to reduce the level of NPAs by various measures, including one time / negotiated settlements. As a more prudent measure, the bank made accelerated provisions / write – off to the tune of Rs.2500 crore over and above the regulatory requirements. Consequently, the cumulative provisions / write – off stood at 55% of NPAs. As at March 31st 2002 NPAs comprised 11.7% of loan assets.

NPA (Non Performing assets)

A non-performing asset or account is an advances where on the Balance sheet date in respect of: -

- Term loan interest remains "Past due" for more than 180 days, overdraft and earn credit account remain out of order for more than 180 days.

- Bill purchased or discount remain "overdue" or unpaid for more than 180 days or
- Other accounts receivable remain "Past due" for 180 days.

A non-performing asset is a credit facility in respect of which interest has remain unpaid for two quarters.

IDBI has initiated several measures for containment of NPAs. The bank has setup close monitoring cells for constantly monitoring performance of assisted companies to improve recovery and initiated timely remedial action. Further, restructuring committees have been setup in various zones to tackle NPAs ¹.

The total NPAs of IDBI in amount terms has been increasing over the past 7 years. Doubtful assets as on March 31,2002 were Rs. 10466 Crore as against Rs. 8686 crore as on march 31, 2001 (an increase of 17%).

The net NPAs (percent of total assets) have increased from Rs. 4365 crore (10.27%) as on mach 31, 1997 to Rs. 8371 crore (14.82%) as on march 31, 2001.

The doubtful assets (Before provision) are on March 31, 2001, were Rs. 7496 crore as against Rs. 5365 crore as on march 31, 2000 (Increase of 40%).

¹ Following the securities scam and accepting the recommendations of the Narsimbham committee, the RBI issued circular No. B.P. BC 179/21-043-92 dated April 27, 1992 and circular No. B.P. BC 59/22 04-943-92 dated December 17, 1992 in respect of income recognition, asset classification provisioning other related matters concerning banks.

Movement of NPAs

The detailed movement of NPAs over the (six years) is presented in the following table:

As on March 31	1997	1998	1999	2000	2001	2002
No. Of cases (Direct Finance)	923	1064	1204	1332	1392	525
Gross Principal Outstanding	5592	7506	9523	11428	13230	14449
Gross interest outstanding (#)	1728	2735	5376	5532	7029	8646
Gross total outstanding	7320	10241	14899	16960	20259	23095
Net NPA (net of write offs and provisions)	4365	5101	6490	7675	8371	6500
Total Assets (net)	4365	5101	6490	7675	8371	6500
% Of Net NPAs to Total Asset	42492	50282	53865	57099	56478	55607
% Of Net NPAs (net of collateral) to Total Assets @	10.27	10.14	12.05	13.44	14.82	11.69
	0.73	0.35	0.70	1.09	1.67	1.81

Direct Finance

Value of collateral represents asset cover available against direct finance asset only.

OUTSTANDING DEBT:

Outstanding debt of the Bank, as on March 31, 2003, stood at Rs. 51, 488 crore comprising Rs. 45358 crore of rupee borrowings and Rs. 6130 crore of FC borrowing foreign currency borrowings.

ASSET QUALITY:

As at the close of the financial year 2002-03, 85.8% (88.3% in 2001-02) of the Bank's loan assets were standard. As at end-March 2003, sub-standard assets formed 5.6% (4.5% in 2001-02), while doubtful assets constituted 8.6% (7.2%) of the Bank's loan assets, for which provisions have been made in conformity with prudential requirements. Loss assets were fully written off.

(TABLE)

Loan Asset Classification					(Rs. Crore)
	Gross Assets (before provisions and Write - offs)	Cumulative provisions and write - offs	Net Assets (after provisions and write offs)	% To Total	% Of provisions and write offs to gross assets
As on 31 March, 2002					
Standard	49107	0*	49107	88.3	0.0
Substandard	2831	321	2510	4.5	11.3
Doubtful	10466	6476	3990	7.2	61.9
Loss	1152	1152	0	0.00	100.0
Total	63556	7949	55607	100.0	12.5
As on 31 March, 2003					
Standard	44311	0*	44289	85.8	0.00
Sub- standard	3353	443	2910	5.6	13.2
Doubtful	11478	7058	4420	8.6	61.5
Loss	1175	1175	0	0.00	100.0
Total	60317	8698@	51619	100.0	14.4

A general provision of Rs. 123.5 crore has been made as per RBI guidelines.

@ Inclusive of Rs. 22 crore provision against NPAs, which were upgraded as standard assets during the year.

Details of Net NPAs and industry - wise classification of Non-performing assets (Direct Loans) are given in the following tables:

(TABLE)

Net NPAs		(Rs. Crore)
As on March 31	2002	2003
Number of Cases (Direct Finance)	525	630
Gross Principal Outstanding	14449.2	16006.7
Net Outstanding	6500.2	7329.9
Total Loan Assets	55606.8	51618.8
Net NPAs to Total Assets (%)	11.7	14.2
Net NPAs (Net of Collateral) to Total Loan Assets (%) @	1.8	2.3

@ Value of collateral represents asset cover available against Direct Finance Assets.

Industry wise Classification of NPAs (Direct Loan) can be seen as under:

(TABLE)

Industry wise Classification of NPAs (Direct Loan) (Rs. Crore)				
Industry	End March 2002		End-March 2003	
	Amount	% To total	Amount	% To total
Iron & Steel	838.5	15.5	1393.3	21.5
Cotton Textiles	738.2	13.7	821.6	12.7
Food (Other than sugar)	482.1	8.9	460.6	7.1
Metal Products	356.7	6.6	355.4	5.5
Vehicles	0.00	0.00	344.5	5.3
Chemicals (Others)	363.7	6.7	324.2	5.0
Plastics & Plastic Goods	269.9	5.0	284.5	4.4
Drugs & Pharmaceuticals	265.9	4.9	235.1	3.6
Paper & Paper Products	196.6	3.6	192.6	3.0
Man - made Fibers	158.3	2.9	178.3	2.8
Other Textiles	173.9	3.2	177.8	2.8
Electronics	141.4	2.6	149.1	2.3
Non Ferrous	80.5	1.5	130.8	2.0
Electrical Machinery	129.8	2.4	117.7	1.8
Sugar	128.1	2.4	108.0	1.7

Source: - IDBI Annual Report 2002-2003

During the year, the Bank continued to remain focused in its efforts to contain NPAs. Non-performing Assets are closely monitored through

pecially constituted Close Monitoring Cells' for clearance of over dues. Recovery of over dues is sought to be made, through follow up, discussions, and visits as well as through appointment of Concurrent Auditors/Technical Consultants and / or Nominee Directors.

INDUSTRY - WISE CLASSIFICATION OF NPAS

Industry wise outstanding NPAs (Gross) for direct finance (excluding investments) as a percentage to total NPAs for the past 3 years is given in the table below.

(TABLE)

As on March 31,	2000		2001		2002	
Industry	NPA (Rs. Crore)	o/s %	NPA (Rs. Crore)	o/s %	NPA (Rs. Crore)	o/s %
Cotton Textiles	1142	13.69	1132	13.29	738	13.68
Iron & Steel	840	10.06	838	9.84	838	15.54
Food (Others)	655	7.84	672	7.89	482	8.93
Chemical (Others)	579	6.93	618	7.25	364	6.74
Metal Products	559	6.69	539	6.33	357	6.61
Drugs & Pharmaceuticals	457	5.47	450	5.28	266	4.93
Plastic & Plastic Goods	341	4.08	363	4.26	270	5.00

Artificial Fibers	409	4.91	361	4.24	158	2.93
Electronics	315	3.78	302	3.54	141	2.62
Paper & Paper Products	351	4.20	301	3.53	197	3.64
Non Ferrous	281	3.37	248	2.91	80	1.49
Electrical Machinery	230	2.76	234	2.75	130	2.41
Electricity Generation	20	0.24	210	2.47	12	0.23
Textiles	166	1.99	199	2.34	174	3.22
Machinery	131	1.57	181	2.13	87	1.61
Ceramics & Refractories	166	1.98	176	2.07	96	1.77
Cement	203	2.44	173	2.03	40	0.75
Basic Industrial Chemicals	172	2.06	169	1.98	85	1.58
Sugar	177	2.12	165	1.94	128	2.37
Petrochemicals	137	1.64	123	1.44	60	1.11
Other Industries	1018	12.18	1063	12.48	694	12.84
Total	8349	100	8517	100	5397	100

Source: IDBI Flex Bonds 18 - offer document - 2003

Industry wise Outstanding Assistance can be seen as under: -

(TABLE)

Industry	End March 2002		End-March 2003	
	Amount	% To total	Amount	% To total
Iron & Steel	7955.8	15.2	9104.9	18.3
Electricity Generation	7148.9	13.6	6257.9	12.6
Cotton Textiles	4793.3	9.1	4414.7	8.9
Telecom Services	2383.1	4.5	2132.6	4.3
Petrochemicals	2285.4	4.4	2045.1	4.1
Refineries & Oil Exploration	800.4	1.5	1978.7	4.0
Fertilizers	2128.4	4.1	1895.7	3.8
Man Made Fibers	1704.4	3.2	1669.0	3.4
Cement	1936.5	3.7	1517.7	3.1
Paper & Paper Products	1066.9	2.0	1250.8	2.5
Basic Industrial Chemicals	1277.5	2.4	1216.2	2.4
Food (other than sugar)	1298.4	2.5	1174.3	2.4
Chemicals (others)	1364.6	2.6	1082.1	2.2
Electronics	1100.8	2.1	1069.9	2.2
Services (Others)	1238.8	2.3	912.5	1.8

Source: IDBI Annual Report 2002-2003

The following table shows the year wise downfall of IDBI on account of the reasons one or the other.

IDBI: the downfall

	2002-03	2001-02	2000-01	1999-00	1998-99
Assets	63,115	66,642	71,783	72,285	69,143
Sanctions	2889	13505	23178	22060	18939
	(-78.6%)	(-41.7%)	-5.10%	-16.50%	-6.40%
Disbursements	3924	11,151	17,747	17,063	14,473
	-64.80%	(-36.2%)	-2.40%	-17.90%	(-5.8%)
Income	6371	7175	7834	7859	7464
PBT	455	414	734	1027	1300
PAT	401	424	691	947	1258
RoA	0.62	0.61	0.96	1.34	1.95
RoNW	5.9	5.37	7.34	10.69	15.08
CAR	18.72	17.86	15.84	14.52	12.68
EPS	6.15	6.49	10.2	14.07	18.7
Gr NPA	16,006	14,449	9849	8236	-
Net NPA	7,308	6,500	7,675	6488	-
Aggregatel provisioning	8,677	7,949	4,800	-	-
Net NPA	14.16	11.69	13.44	12.05	-

It is evident from the table that the downfall has been the maximum in the year 1999-00, while recovery was retained in 2002-03. So far as the sanctions and disbursements are concerned, they have also shown a downfall. Recovery has been maintained in the year 2002-03

Suggestion for conversion of IDBI into a bank

Does that mean all is lost for IDBI? It may not be fair to dub it as yet another stretcher case going the IFCI way. It has been slowly consolidating its balance sheet over the last two years. The weighted average cost of funds for the institution has dropped from 11.8 per cent in 2001 to about 9 per cent now.

Replacing the old high cost debt to new low cost borrowings has done this. The incremental cost of funds has come down from 11 per cent to 6.25 per cent. It has also been steadily raising its provisioning to clean the balance sheet.

The aggregate provisioning has risen from Rs 4,800 crore (Rs 48 billion) in March 2001 to close to Rs 9,000 crore (Rs 90 billion) in June this year. As a result of this, NPA coverage has risen from 36.7 per cent in 2001 to around 58 per cent now.

By doing all this, IDBI has been able to take care of its profit and loss account but not the balance sheet. It has managed to remain profitable (its net profit in Q 1 of fiscal 2004 rose to Rs 51 crore (Rs 510 million), up from Rs 33 crore in Q 1, last year) while the asset base is rapidly eroding.

At any given point of time, it now holds a liquidity kitty of around Rs 5,000 crore (Rs 50 crore) because it is unable to deploy the funds. Project finance is virtually dead. When it comes to the business of extending short-term loans, IDBI has a Hobson's choice. On one hand, being an AA+ rated financial institution, it cannot offer fine rates to the triple-A-rated corporations;

on the other, it can't run the risk of lending money to weaker entities for the fear of increasing NPAs.

The only solution to the problem is conversion of IDBI into a bank. But not the type of bank that has been suggested by the Parliamentary Standing Committee on Finance, which examined the IDBI Bill under a microscope. The business model suggested by the committee is as faulty as the model of a development financial institution, which has outlived its utility.

The committee wants IDBI to be converted into a bank but to stay away from retail business. At best, this will make IDBI a development financial animal in a bank's skin which cannot fend for itself in the jungle of the Indian financial system.

The idea to enable the new entity to raise cheap liabilities in the form of savings bank account and current accounts to drop its cost of funds is fine. But this benefit will be of no use if it's not allowed to build retail assets.

First, with big corporations shying away from raising money from banks, the retail sector is the engine of growth for banking activities and any ban on creation of retail assets will only continue IDBI's agony of stunted growth. Secondly, it is not easy for a bank to retail liabilities when it is not offering home loans, car loans, education loans and other personal loans.

IDBI wants to sort out this problem by teaming up with its banking subsidiary IDBI Bank. The plan is to exploit the synergies and offer both long-term and short-term loans as well as other banking needs of companies together.

But this is not possible because IDBI will have to divest its stake in IDBI Bank once it becomes bank, because the Banking Regulation Act will not allow it to hold a substantial stake in another bank. The standing committee also ruled out the merger of IDBI Bank with IDBI. So, even after the Bill is passed in the winter session of Parliament, the nightmare will continue for IDBI.

The search for the right kind of business model for IDBI started six year ago in 1997 when former chairman S H Khan appointed Booz, Allen & Hamilton to chart out a recast course. In 1999, next chairman G P Gupta appointed Mrityunjaya Athreya to take a relook at the institution.

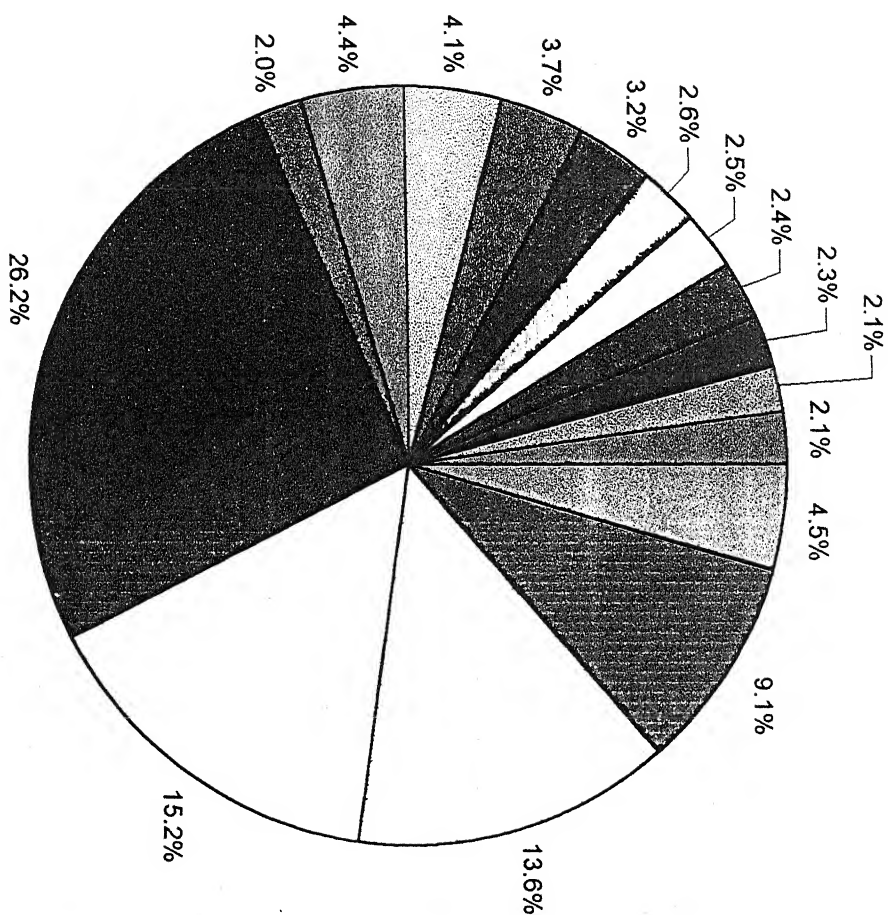
In 2001, Boston Consulting Group had walked in for another reality check. Last week, McKinsey, IBM, PricewaterhouseCoopers and Tata Consultancy Services made presentations to the IDBI board charting out the possible course of its conversion into a bank. But no external agency can save IDBI from sinking unless the government finds the right business model for it without losing time.

It should either allow IDBI to function as a full-fledged bank without any restriction on business activities or preserve it as a boutique DFI with facilities like access to cheap long-term funds and so on. That is, if it feels that DFIs still have a role to play in the Indian financial system. Any half-way measure can only delay the inevitable for IDBI.

This article was written before the finance ministry announced that IDBI's assets would be split

Source: <http://www.rediff.com/money/2003/oct/02guest.htm>

industry wise composition of assistance outstanding as on March 31,2002



- ☐ Telecom services
- ☒ Cotton textiles
- ☐ Electricity Generation
- ☐ Iron and steel
- ☒ Other industries
- ☒ Paper and paper products
- ☒ Petro chemicals
- ☐ Fertilizers
- ☒ Cement
- ☒ Manmade fibres
- ☒ Chemical(others)
- ☐ Food(others)
- ☒ Basic industrial chemicals
- ☒ Services(others)
- ☒ Electronics
- ☒ Drugs & Pharmaceuticals

ISSUES AND SUGGESTIONS

Operations

Over the years, IDBI has transformed itself from a single-product lending institution into a diversified financial service provider for the corporate sector through its wide range of products and services. The total assistance sanctioned under all the products by the Bank was Rs.287,111 million in 2000-01. Disbursement during the year was Rs.174,983 million.

Financials

IDBI has, over the years, built up a strong financial profile. As at end-March 2001, it had an issued and paid-up capital base of Rs.6528 million while its reserves and funds aggregated Rs.84,738 million. Total assets stood at Rs. 717,834 million.

Major profitability indicators have been consistently high, attesting IDBI's substantial financial strength. These compare favorably with international standards.

Asset Quality

85.2% of IDBI's portfolio is classified as standard assets as on March 31, 2001. The Bank is pursuing a multi-pronged strategy to reduce non-performing loan portfolio to international levels of around 5%. IDBI has also been consistently adhering to prescribed prudential norms on income recognition, asset classification and provisioning. In addition, it has pursued credit exposure and disclosure requirements as part of best practice that are in line with Reserve Bank of India's directives to FIs on the subject.

Capital Adequacy Ratio

IDBI has followed a policy of maintaining a level of capital to adequately cover the portfolio risk and also maintain a balance between debt and equity funds. It has consistently maintained a Capital Adequacy Ratio (CAR) at well over 10% during

the last five years. The level of CAR is 15.8% (12.2% with Tier I capital) as at end of March 2001 as against the RBI stipulation of 9% for total CAR and 4.5% for Tier I CAR.

Resources

In the pre-reform era, IDBI had access to a large pool of long-term funds at a relatively low cost. Post-1991, these lines of credit have been gradually phased out. In its stead, IDBI has been leaning on domestic and international markets for meeting the bulk of its resource mobilization needs.

It has a well-diversified wholesale resource base, which includes banks, public sector undertakings, corporate, provident funds/ pension funds, trusts and multilateral institutions. Considering the importance of the retail segment, efforts are made to ensure regular presence in the market for retail investors through public offerings of bonds at periodical intervals throughout the year.

To meet its foreign currency resource requirements, IDBI has been making periodic forays in international financial markets and has raised substantial resources through syndicated loans and floating rate bonds, at cost-effective rates of interest, by leveraging on its strong financials and high ratings. International rating agencies Standard and Poor's, Moody's and Japan Rating and Investment Inc. - have always rated international debt issued by IDBI on par with sovereign ratings.

The Bank lays emphasis on containing its cost of funds through a tight spread over sovereign debt on incremental borrowing coupled with lower interest rate regime.

Following enabling amendments to the IDBI Act, IDBI made its initial foray in the domestic capital market in July 1995 through an issue of equity capital, which raised over Rs..20 billion.

Total outstanding debt as at March 31, 2001 stood at Rs..564,193 million comprising rupee borrowings of Rs..473,955 million and foreign currency borrowings

equivalent of Rs..90238 million. The resource-mix has been suitably calibrated to permit reasonable asset-liability matching. For this purpose, IDBI has an Asset-Liability Management (ALM) Committee constituted to monitor and counter liquidity, interest rate and foreign exchange risks. The Bank has defined its market risk philosophy and has specified ALM policies and charter, tolerance levels, monitoring and reporting systems. It has been preparing Liquidity Gap Reports for liquidity risk management and Interest Rate Sensitivity Reports as also Duration and Modified Duration Reports to control the impact on net interest income and economic value of equity.

By and large all the bankers from Commercial and Co-operative fields have by now been well acquainted with the term NPA i.e. Non Performing Assets (Account), since the concept of Income recognition has been introduced during 1992, after Narsinham Committee Report was approved and accepted by Govt. and Reserve Bank.

Depending upon the NPA position vis-à-vis other vital financial factors, the green signal for various promotional and developmental activities proposed by Banks, is given by RBI and that is why the concept 'NPA' plays very important, vital role in determination of Bank health in specific and implementation of Developmental activities in general.

It is observed that the existence of over dues in banks in general is much more on percentage basis (with 40% NPA).

Now 5 years after introduction of NPA pattern in banking field time has come to think seriously on NPA issue.

1- Whether NPA can be reduced in number and amount ultimately in percentage.?

2 - Whether there are any precautionary and preventive steps for avoiding very existence of NPA?

Yet it is possible, not only possible, it is practicable provided the precautionary measures and preventive steps are properly understood, digested, followed up and are exercised, implemented in Toto with letter and spirit.

With a view to maintaining the NPA at zero leave or at least at minimum possible low (say lowest) level the following suggestion are made for exercising thereof in right spirit.

Scrutiny of the loan application and its enclosures should be made for satisfying the correctness of every information mentioned in application and adequacy of data enclosed with application, supported with pre-sanction survey/ Inspection Report.

Appraisal of loan proposal should be made precisely that the appraising authority should be in a position to recommend rejection of requisite quantum of finance, recommendation being based on lending policies and procedures approved by Banks subject to RBI guidelines and directives.

* The recommendations of the appraising officer from Loan Department should be discussed and accepted by the sanctioning authority (loan committee or the Board) after getting satisfied that the recommending officer was given free hand and environment and that the recommendations are made without prejudices and pressure

* Loan amount should be disbursed only after all requisite documents are obtained/executed by the borrower and guarantors

* Loan amount should be disbursed only after fulfilling all the terms and conditions of loan sanctioned.

In case of operative loan accounts i.e. Cash Credit, Hypothecation, Pledge, Overdraft etc., transactions on account should be allowed to be made strictly as per terms of sanction.

- * No excess drawing or overdrawing be allowed unless sanctioned by sanctioning authority. For every excess drawing or overdrawing, proper loan documents should be got executed from the concerned parties.

- * The interest calculated, accrued on each and every type of loan account should positively be recovered within 20 days from the end of the quarter for which the interest is calculated.

- * Neither compromise nor concession be made / given for payment of quarterly interest on any account, since interest is the source of income and ultimately criterion for classification of account under NPA.

- * In all operative loan accounts, it should be ensured that the transactions and turnover in all these accounts are made to the satisfaction so as to maintain the accounts out of purview of NPA.

- * In respect of bills business, the proceeds of bills under various categories should be collected within prescribed period. Under any circumstances the collection of proceeds should not be delayed beyond 180 days. Quarterly interest should be recovered on time, if bills realization is likely to be delayed.

- * Periodically verification/Inspection of securities in respect of all types of loan accounts should be carried out (as far as possible monthly inspection should be done) as per terms of sanction.

Exercising of all the above points, in right spirit, will definitely help the banks to maintain the NPA below the desired level.

CHAPTER 9

CONCLUSIONS AND SUGGESTIONS

Conclusion

To sum up, the existing institutional framework lacked an effective mechanism to co-ordinate and integrate the functioning of the diverse institutional in the field. Thus, IDBI was set up as a co-ordinating machinery which could establish working relationship with other financial institutions, and thus meet the changing needs of the corporate sector. IDBI provides financial assistance to all types of industries directly or indirectly, irrespective of the form of organisation or size of unit. IDBI also provides technical and administrative assistance to industries for their promotion, management or expansion.

First, IDBI was controlled by the Central Board of Directors of RBI. But afterwards it is managed by its own Board of Directors. The Board has constituted an Executive Committee consisting of 10 Directors including Chairman and the Managing Director. The organisational structure of IDBI is consisting of three layers namely, Head Office, Zonal Offices and Branch Offices. Head

Office is at Bombay and five zonal offices are at Calcutta, madras, New Delhi, Bombay and Guwahati. There are 38 branch offices.

The resources of IDBI may consist of share capital, borrowings, sale proceeds of bonds and debentures etc. Among the sources of finance of IDBI, internal generation found to be the highest. IDBI's market borrowings by way of bonds found to be the major source of finance and accounted for 9.58 per cent of the IDBI's total funds as on end of March 1992.

Resources

During 2002-03, the Bank raised total resources of Rs. 11,108 crore, comprising Rs. 10,605 crore of Rupee resources and Rs. 503 crore of Foreign Currency resources. The overall cost of incremental borrowing stood at 8.10% with an average maturity of 2.96 years. Rupee resources were raised at an average cost of 8.36% with an average maturity of 2.87 years. The incremental cost of Foreign currency resources was 2.78% while average maturity was 4.81 years.

The Bank took advantage of the declining interest rate regime during the year by borrowing relatively short-term loans. It may be mentioned that an amount of Rs. 1864 crore out of this year's borrowings was repaid during the year itself. The net Rupee borrowings, therefore, stood at Rs. 8741 crore. The main sources of funds in the retail segment continued to be IDBI Suvidha Fixed Deposits and IDBI Flexi bonds. From wholesale segment, the leading sources of funds include Omini Bonds, IDBI Corporate Deposit Scheme and Commercial Paper. The principal investors in IDBI

instruments were individuals, PSUs, PFs/GFs, Mutual Funds etc. While Rs. 4023 crore were raised from retail sources Flexi bonds : Rs. 21.83 crore and Suvidha Fixed Deposits : Rs. 1840 crore), Rs. 6582 crore were raised from the wholesale segment. During this year, a major thrust was given to raise more resources from the retail segment.

The broad conclusions and some valuable suggestions to infuse greater validity and dynamism into the functioning of IDBI have also been highlighted in the following text.

India is one of the most civilised nations with rich natural resources. It is the tenth industrialised country in the world. As the seventh largest country in the world, India is well marked off from the rest of Asiatic nations by mountains and seas, which impart to the country a distinct geographical entity. The main land comprises of four regions based upon its geographical locations. They are Eastern, Northern. Western and Southern Regions.

In view of the socio-economic profile, the Eastern Region undoubtedly emerges as the most backward region of the country. Development banks not only provide financial assistance but also perform various promotional functions for industrial development in order to reduce the regional disparities.

It is observed that no study has been made to focus on the comparative regional performance evaluation of IDBI. The 'Eastern Region' of the country has its own significance. It is the region of the highest number of backward states. It is the region of abundant

wealth as most of its states are well endowed with rich natural resources.

In order to cater to the financial and development deficiencies of the private sector industries, there are five development banks such as IFCI, ICICI, IDBI, IRBI, and SIDBI, functioning in the country now. Among them, IDBI is the apex bank which provides dynamic leadership to promote a widely diffused and diversified process of industrialisation. It provides assistance under various schemes and undertakes a variety of promotional activities to achieve the socio-economic objective.

A comprehensive study was conducted relating to the operation, policies and performance of IDBI. The overall performance of IDBI comprised of quantitative and qualitative financial and operational performances.

The data and information for the study mostly have been collected from secondary sources like Annual Reports and Operational Statistics of IDBI, Report on Development Banking in India, published by IDBI. The data collected have been analysed by the use of different statistical tools like percentages and simple and compound growth rates etc.

Suggestions

After presenting an overall view of the preceding chapters in an attempt has been made here to list out a few suggestions

relating to the working of Development Banks in general and the IDBI in particular.

- Re-organisation of development banks is necessary to bridge the gaps in the capital market and to make increasing resources available for both up and coming enterprises. It is necessary to remodel the entire institutional structure of the capital market to bring about financial specialisation with each financial institution specialising in each field such as underwriting, term-lending, and guaranteeing, and direct investment.
- Organization of the central project evaluation body is essential to ensure proper evaluation of viability of industrial projects. It would, be useful if a central project evaluation cell is set up under the direct supervision of IDBI.
- The predominant portion of funds of IDBI has gone to the industrially developed states, contributing to regional disparities in the level of industrial development. It is high time that the Planning Commission and concerned Ministries of the Government provided clear cut guidelines in regard to the type of industries, their area of operation, the purpose of assistance to them, the regional distribution of assistance and so on.
- In the area of resource mobilisation, the thrust should be for recovery of loans and over dues by development banks. IDBI, should create a culture amongst the clientele for honoring their commitments in time

- Steps are required to be taken to develop industrial culture in the least backward states like Arunachal Pradesh, Sikkim, Tripura, and Mizoram.
- It is observed that a great bulk of the assistance disbursed by IDBI is directed towards private sector, which probably may be mainly due to entrepreneurial enthusiasm dominant in private sector. If this trend will continue, it may lead to subsequent problems like concentration of economic power in private hands. Hence, IDBI should simultaneously encourage the joint and public sectors to have balanced economic distribution.
- IDBI should increase their counseling and guidance services by establishing advisory cells to put forward project ideas and profiles for all the up-coming industrial project.
- There is still scope of greater diversification of assistance to different industries in view of the fact that the indigenous-resource-based industries are yet to catch the attention of IDBI. Priority should be given to export-oriented industries using local raw-materials and know-how, labour intensive and consumer goods industries, industries having assured local markets and industries promoted by technical entrepreneurs.
- The capital adequacy norms of Commercial Banks must be applied to IDBI also. As a result they would lend more and

more for the purpose of economic development as the credit given by them is not free from risk.

- The progress reports of assisted units should be recast timely to avoid industrial sickness. In this regard, the frequency and quality of follow-up visits should be improved to get an overall and better idea of the progress of the assisted units.
- IDBI should adopt a strategy of improving the skills, talents and specializations for Human Resource Development, which is essential for the development of any nation.
- IDBI should make an in-depth study and take measures to reduce the gap between sanctions and disbursements by simplifying the formalities and procedures to be complied with.
- It is suggested that the IDBI should increase its underwriting activity to a large extent in order to encourage the new and infant units that are in the cradle.
- In view of the globalisation and liberalisation of Indian economy, it is suggested that IDBI should reorient and intensify its schemes of assistance for modernising the existing units. This paves the way for an increase in productivity and good quality in the products.
- It is observed that majority of IDBI's assistance goes to the new projects. It should be noted that if the units coming up fade away, then a strong industrial base can never be achieved.

Therefore, the IDBI should pay greater attention to expansion, diversification and modernisation of existing units.

- It is observed that the IDBI concentrates more on developed areas like the Western, the Southern and the Northern Regions. It is suggested that the IDBI should conduct studies in the Eastern Region to evaluate the impact of assistance to voluntary agencies.
- It is necessary to develop the hilly areas as tourist centers which will add to the national income of the country rather than striving for industrial development in those areas. Hence the IDBI should concentrate its assistance for tourism development purposes.
- In order to formulate better policies and programmes for industrial growth, planners of various states academicians and skilled persons in different fields are required to be nominated to the Board of Management of the IDBI.
- It is suggested that the IDBI should pay special attention to achieve balanced regional development in the light of social and economic justice. The IDBI should also conduct specific studies and develop its own criteria in identifying backward areas for a more vigorous effort in favour of backward area development.
- The IDBI should analyse the reasons and provide more incentives for directing the flow of assistance to really backward

states. It may also consider enhancing its re-financing facility to State Finance corporation's located in the backward states.

- IDBI should increase the utilisation the utilisation ratio of sanctions in case of backward areas. and should follow a different set of norms for disbursements in backward areas than those in the developed areas.
- IDBI should give greater emphasis on quality lending. Although it has developed sophisticated credit analysis and loan monitoring system, still it requires a well formulated conservative accounting policy regarding income recognition and provisioning.
- IDBI is required to adopt containment of non performing assets. Although it has initiated several measures for containment of NPAs, but still a well equipped close monitoring cell is required to constantly monitor the performance of assisted companies to improve recovery and initiate timely remedial action.
- IDBI can appoint reputed consultants as lenders, engineers for monitoring the implementation of the project and also financial and technical parameters during the operation of the projects.
- Uttar pradesh has vast potential for industrial development. It has witnessed a fair degree of industrialization over the years. However the industrial development has been

widely uneven with a large chunk of industrial units and investment having been concentrated in a few districts. Govt. of U.P. in conscious of the need for speedier overall and strategic planning, the state is capable of emerging as one of the most prosperous states of the country with well dispersed industrial growth.

- Finally, it may be said that the future performance of IDBI will depend to a large extent on its ability to mobilise additional funds, augment its financial returns, exercise control over defaults and overdues, and above all, strike a balance between its financing and developmental functions. Undoubtedly the suggestions enlisted here are not exhaustive.

Strengthening of the financial sector and improving the functioning of the financial markets have been the core objective of the financial sector reforms in India. The banking system is, by far the most dominant segment of the financial sector accounting for over 80% of the funds flowing through the financial sector. Despite the fact that the bulk of the banks were and are likely to remain in the public sector, and therefore with virtually zero risk of failure, the health and financial credibility of the banking sector was an issue of paramount importance to the committees.

The most recent step taken by RBI has been to reduce the repo-rate by half a percentage point to 4.5% with effect from Aug 25-2003. The Central Bank was prompted to lower the repo-rate on account of a fall in the level of inflation and the good monsoon as well as to reduce the flatness or the yield

curve. This move would give a boost to Economic growth through cheaper credit.

The committees proposed reforms in the financial sector to bring about operational flexibility and functional autonomy for overall efficiency, productivity and profitability. In the Banking sector, in particular, the measures have been taken aimed at restoring viability of the Banking system, bringing about our internationally accepted level of accounting and disclosure standards and introducing capital adequacy norms in a phased manner.

If the financial sector reforms were viewed in broad perspective, it would be evident to target the three inter-related issues

- (1) Strengthening the foundations of the Banking system.
- (2) Strengthening procedures, upgrading technology and human resource development and
- (3) Structural changes in the system.

The reform process cannot be entirely painless. While there are achievements, there are pitfalls as well. What is important is to stress on the Qualitative aspects like transparency in work, better service to customers and to strike a balance between the excathedra overzeal for intervention and a complacent belief in the ability of the banking system to self rectify its deficiencies. The banks have diverted their attention from class Banking to Mass Banking but interregional in-

equality in operations, mounting over dues, willful default increased political interference, deterioration of customer services red- tapism, neglect of supervision, declining efficiency, have been some of the prevalent problems.

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ANNEXURE-I

I

ANNEXURE-II

Balance Sheet as at March 31, 2000

31 मार्च 1999 March 31, 1999	31 मार्च 2000 March 31, 2000
₹. Rs.	₹. Rs.

देवदार LIABILITIES

अनुसूची सं. Schedule No.	₹. Rs.	अनुसूची सं. Schedule No.	₹. Rs.
1. शेयर पूंजी Share Capital		1. नकदी और बैंक शेष Cash and Bank Balances	
अधिकृत Authorised		i) अपने पास रखी नकदी और भारतीय रिजर्व बैंक में शेष Cash in hand and balances with Reserve Bank of India	
150,00,00,000 इक्विटी शेयर प्रत्येक 10 रुपये 150,00,00,000 Equity Shares of Rs.10 each	1500,00,00,000	ii) भारत के अन्य बैंकों में शेष Balances with other Banks in India	
50,00,00,000 प्रतियोगिता शेयर प्रत्येक 10 रुपये 50,00,00,000 Redeemable Preference Shares of Rs.10 each	500,00,00,000	a) On Current Account	3,42,48,522
	2000,00,00,000	ख) जमा खाते में On Deposit Account	359,32,13,561
		b) भारत से बाहर अन्य बैंकों में शेष Balances with other Banks outside India	172,29,23,163
निर्गमित और चुकड़ा Issued and Paid-up		का) चालू खाते में a) On Current Account	18,64,81,199
67,30,93,33,000 इक्विटी शेयर प्रत्येक 10 रुपये 67,30,93,33,000 Equity Shares of Rs.10 each	673,09,33,000	ख) जमा खाते में b) On Deposit Account	1053,97,19,723
घटार : स्वयं अर्पित राशि Less : Allotment money in Arrears	13,56,33,750		
	659,52,97,250		
2. रिजर्व, निधि और अविशेष Reserves, Funds and Surplus			
i) रिजर्व निधि Reserve Fund			
ii) अन्य निधि Other Funds			
क) स्टाफ कल्याण निधि a) Staff Welfare Fund	3762,47,46,043		
ख) जमा पूंजी निधि b) Venture Capital Fund	27,40,18,651		
ग) विनिमय जोखिम प्रबंध निधि c) Exchange Risk Admin. Fund	128,99,07,651		
घ) अर्थव्यवस्था विकास (से) निधि d) IDBI EXIM ID Special Fund	—		
iii) रिजर्व Reserves	1,30,79,840		
क) निवेश समकाल रिजर्व a) Investment Equalization Reserve	182,87,19,752		
ख) विदेशी मुद्रा घट-बढ़ रिजर्व b) Foreign Currency Fluctuation Reserve	—		
ग) बॉन्ड प्रीमियम पर प्रीमियम c) Premium on Bond Issue	2,46,40,632		
घ) शेयर प्रीमियम d) Share Premium	1864,66,66,096		
ङ) आकर्षक अधिपति 1961 से भाग 36(1)(viii) के अन्तर्गत निवेश रिजर्व e) Special Reserve under Section 36(1)(viii) of IT Act, 1961	1680,06,27,802		
च) आकर्षक अधिपति 1961 से भाग 36(1)(viii) के अन्तर्गत शेयर एवं अनुचित विशेष रिजर्व f) Special Reserve created and maintained u/s 36(1)(viii) of IT Act, 1961	706,54,39,669		
छ) आकर्षक रिजर्व g) Contingency Reserve	—		
iv) अविशेष Surplus	200,94,66,934		
	8557,73,13,070		
3. उपहार, अनुदान, बंधे और दान Gifts, Grants, Donations and Benefactions			
i) सरकार से From Government	—		
ii) अन्य स्रोतों से From Other Sources	—		
	8966,04,37,353		
	9217,26,12,320		

31 मार्च 1999 March 31, 1999	31 मार्च 2000 March 31, 2000
₹. Rs.	₹. Rs.

अतिरिक्त ASSETS

अनुसूची सं. Schedule No.	₹. Rs.	अनुसूची सं. Schedule No.	₹. Rs.
1. नकदी और बैंक शेष Cash and Bank Balances		1. नकदी और बैंक शेष Cash and Bank Balances	
i) अपने पास रखी नकदी और भारतीय रिजर्व बैंक में शेष Cash in hand and balances with Reserve Bank of India	140,34,86,464	i) अपने पास रखी नकदी और भारतीय रिजर्व बैंक में शेष Cash in hand and balances with Reserve Bank of India	3,42,48,522
ii) भारत के अन्य बैंकों में शेष Balances with other Banks in India	533,96,89,303	ii) भारत के अन्य बैंकों में शेष Balances with other Banks in India	359,32,13,561
क) चालू खाते में a) On Current Account	982,07,20,771	क) चालू खाते में a) On Current Account	172,29,23,163
ख) जमा खाते में b) On Deposit Account	25,70,21,483	ख) जमा खाते में b) On Deposit Account	18,64,81,199
iii) भारत से बाहर अन्य बैंकों में शेष Balances with other Banks outside India	2511,32,46,943	iii) भारत से बाहर अन्य बैंकों में शेष Balances with other Banks outside India	1053,97,19,723
का) चालू खाते में a) On Current Account	4193,41,64,964	का) चालू खाते में a) On Current Account	
ख) जमा खाते में b) On Deposit Account		ख) जमा खाते में b) On Deposit Account	
2. निवेश Investments		2. निवेश Investments	
i) केन्द्र एवं राज्य सरकार की प्रतिभूतियों में In securities of Central and State Governments	330,36,26,680	i) केन्द्र एवं राज्य सरकार की प्रतिभूतियों में In securities of Central and State Governments	877,46,80,644
ii) विदेशी संस्थाओं के स्टॉक, शेयर, बॉन्ड्स व डिबेंचर्स में In stocks, shares, bonds & debentures of financial institutions	2028,57,99,455	ii) विदेशी संस्थाओं के स्टॉक, शेयर, बॉन्ड्स व डिबेंचर्स में In stocks, shares, bonds & debentures of financial institutions	3080,93,72,092
iii) औद्योगिक प्रतिष्ठानों के स्टॉक, शेयर, बॉन्ड्स व डिबेंचर्स में In stocks, shares, bonds & debentures of industrial concerns	5494,02,79,225	iii) औद्योगिक प्रतिष्ठानों के स्टॉक, शेयर, बॉन्ड्स व डिबेंचर्स में In stocks, shares, bonds & debentures of industrial concerns	5658,12,47,528
	7852,97,05,360		9616,53,00,264

आगे ले जाया गया Carried forward

12046,38,70,324

9217,26,12,320

आगे ले जाया गया Carried forward

8966,04,37,353

11224,18,86,432

31 मार्च 1999 March 31, 1999	₹. Rs.	देखाएँ LIABILITIES	अनुसूची सं. Schedule No.	₹. Rs.	31 मार्च 2000 March 31, 2000
8966,04,37,353					₹. Rs. 9217,26,12,320
38990,59,31,226		4. बांड और डिबेंचर Bonds and Debentures	III		43976,13,83,714
2092,30,11,025		5. जमापत्रियाँ Deposits			1752,73,90,160
		6. उधार Borrowings			
		i) भारतीय रिजर्व बैंक से From Reserve Bank of India			
		का) स्टॉक, डिबेंचर और अन्य जमा की प्रतिपूतियों पर प्रतिपूत क) Secured against stocks, funds and other			
		ख) जमापत्रियाँ Investor securities			
		ग) विनिमय बिलों या वस्तुओं पर प्रतिपूत b) Secured against bills of exchange or promissory notes			
		घ) सुरक्षित औद्योगिक ऋण (देयतापूर्ण परिवर्तन) निधि में से ग) Out of National Industrial Credit (Long			
2000,00,00,000		Term Operations) Fund		1740,00,00,000	
		ii) भारत सरकार से From Government of India			
		क) ब्याज-मुक्त ऋण a) Interest-free loan			
		ख) अन्य ऋण b) Other Loans			
		1. अ. वि. संविधान के ऋण पर Against IDA/World Bank Loan		1146,23,20,331	
1216,65,58,280		2. अन्य Others		220,19,52,356	
239,12,54,667		iii) अन्य स्रोतों से From Other Sources		75,00,00,000	
675,05,34,045		iv) विदेशी मुद्रा में In Foreign Currency	IV	8267,89,69,695	
7753,97,19,009					
11864,80,66,001		7. चालू देखाएँ और प्रत्याश Current Liabilities and Provisions	V		
7209,74,60,097					5773,62,20,301
2094,2,40,05,703					72169,08,48,876

31 मार्च 1999 March 31, 1999	र. Rs.	असंश्लेषित संचयन खाते Un-audited Savings Accounts	अनुसूची सं. Schedule No.	र. Rs.
	12046,38,70,324			11224,18,86,432
				50646,34,56,687
				2111,43,59,840
				310,17,12,971
				12859,77,835
				6594,34,55,111
				72169,08,48,878

लेखों का हिस्सा दशनिवाली टिप्पणियाँ
Notes forming part of Accounts

आज की तारीख को हमारी रिपोर्ट के अनुसार
As per our report of even date

बोर्ड के आदेशानुसार
BY ORDER OF THE BOARD

काले रे एंड रे

एस. के. कपूर
S.K. Kapur
कार्यपालक निदेशक
Executive Director

अध्यक्ष एवं प्रबंध निदेशक
Chairman & Managing Director

कृते जी. पी. कपाडिया एंड कंपनी
सनदी लेखाकार
For G.P. Kapadia & Co.
Chartered Accountants
साझेदार : अतुल बी. देसाई
Partner : Atul B. Desai

निदेशक
Director

मुंबई, 28 अप्रैल 2000
Mumbai, April 28, 2000

ANNEXURE-III

Profit and Loss Account for the year ended March 31, 2001

[illegible]

Profit and Loss Account for the year ended March 31, 2001 (Contd.)

31 मार्च 2000 March 31, 2000	31 मार्च 2001 March 31, 2001
₹. Rs.	₹. Rs.
EXPENDITURE	INCOME
विनियोग Appropriations	अनुसूची सं. Schedule No.
1. रिजर्व निधि में अंतर्गत Transferred to Reserve Fund	लान-हानि लेख से अंतर्गत किया गया शेष लाभ Balance of profit transferred from Profit and Loss Account
2. आकर अधिनियम, 1961 की धारा 36(IV)(iii) के अंतर्गत सृजित और अनुसूचित विशेष रिजर्व में अंतर्गत Transferred to Special Reserve created & maintained u/s. 36(IV)(iii) of IT Act, 1961	9,470,047,749
3. उद्यम पूंजी निधि में अंतर्गत Transferred to Venture Capital Fund	2,893,248,568
4. आईटीईआई एक्सिम (से) विशेष निधि में अंतर्गत Transferred to IDBI EXIM (I) Special Fund	
5. स्टाफ कल्याण निधि में अंतर्गत Transferred to Staff Welfare Fund	
6. निवेश समतुल्य रिजर्व में अंतर्गत Transferred to Investment Equalisation Reserve	
7. अल्पसंख्यक शेयरों पर लाभभंडा Dividend on Preference Shares	
8. फिक्स्ड शेयरों पर प्रस्तावित लाभभंडा Proposed Dividend on Equity Shares	
9. प्रस्तावित लाभभंडा पर कर Tax on Proposed Dividend	
10. तुलन-वश में खर्च गया शेष लाभ Balance of Profit carried to Balance Sheet	
4,000,000,000	
1,420,000,000	
300,000,000	
1,728,349	
20,000,000	
1,250,000,000	
—	
3,028,919,850	
333,181,184	
2,009,466,934	
12,363,296,317	

लेखा परीक्षकों की रिपोर्ट

हमने भारतीय औद्योगिक विकास बैंक के 31 मार्च 2001 के संलग्न तुलन पत्र तथा उसी तारीख को समाप्त हुए वर्ष के लाभ-हानि लेख की लेखा परीक्षा की है और यह रिपोर्ट देता है कि:

- (1) लेखा परीक्षा के लिए हमारी अधिकृत जानकारी और विश्वास के अनुसार जो जानकारी और स्पष्टीकरण आवश्यक थे, वे खर स्तरे प्राप्त किये हैं और वे संतोषजनक हैं।
- (2) हमारी पत्र में तुलन पत्र और लाभ-हानि लेखों के अंतर्गत प्रस्तुत की गई जानकारी और स्पष्टीकरणों के अनुसार उक्त तुलन-पत्र, उस पर दी गयी टिप्पणियों और उत्प्रेक्षणीय लेखा नीतियों सहित पूर्ण और सही विवरण प्रस्तुत करते हैं।
- (3) हमारी पत्र में तथा हमारी अधिकृत जानकारी और हमारे दिने गये स्पष्टीकरणों के अनुसार उक्त तुलन-पत्र, उस पर दी गयी टिप्पणियों और उत्प्रेक्षणीय लेखा नीतियों सहित पूर्ण और सही विवरण प्रस्तुत करते हैं और यह 31 मार्च 2001 के बैंक के सन की सच्ची और सही स्थिति दर्शाता है।

कुंते जी. पी. कृपादिया एड कंपनी
सदस्य लेखाकार
अनुसूची सं. 28
साथीदार
मुंबई, 28 मई 2001

REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of the Industrial Development Bank of India as at March 31, 2001 as also the Profit and Loss Account of the Bank for the year ended on that date and report that:

- (1) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and the same have been satisfactory.
- (2) In our opinion, the Balance Sheet and Profit and Loss Account are properly drawn up containing all the necessary particulars as required by Regulation 14 of the Industrial Development Bank of India General Regulations, 1994.
- (3) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet read with the notes thereon and Significant Accounting Policies is a full and fair Balance Sheet and exhibits a true and fair view of the state of affairs of the Bank as at March 31, 2001.

For G.P. Kapadia & Co.
Chartered Accountants
Anil B. Desai
Partner
Mumbai, May 28, 2001

आज की तारीख को हमारी रिपोर्ट के अनुसार
As per our report of even date

BY ORDER OF THE BOARD

कुंते जी. पी. कृपादिया एड कंपनी सदस्य लेखाकार For Ray & Ray Chartered Accountants साथीदार : अनिल बी. देसाई Partner : Anil V. Kamik	ए. के. चक्रवर्ती S.K. Chakrabarti आर. एन. धूत R.N. Dhoot के. नरसिम्हा मुथू K. Narasimha Muthy	अध्यक्ष एवं प्रबंध निदेशक (कार्यकारी) Chairman & Managing Director (Acq.) निदेशक Director निदेशक Director
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कुंते जी. पी. कृपादिया एड कंपनी
सदस्य लेखाकार
For G.P. Kapadia & Co.
Chartered Accountants
साथीदार : अनिल बी. देसाई
Partner : Anil B. Desai
मुंबई, 28 मई 2001
Mumbai, May 28, 2001

8,919,208,454

Balance Sheet as at March 31, 2001 (Contd.)

31 मार्च 2000 March 31, 2000	₹. Rs.	देयताएँ LIABILITIES	अनुसूची में Schedule No.	₹. Rs.	31 मार्च 2000 March 31, 2000
92,172,612,320		अपने लाया गया Brought forward			₹. Rs. 91,618,494,350
439,761,383,714		4. बांड और डिबेंचर Bonds and Debentures	IV		433,512,294,120
17,527,390,160		5. जमादारियाँ Deposits			26,388,964,239
		6. उधार Borrowings			
		i) भारतीय रिजर्व बैंक से From Reserve Bank of India			
		क) स्टॉक, निधियों और अन्य न्यासी प्रतिनिधियों पर प्रतिभूत a) Secured against stocks, funds and other trustee securities		—	
		ख) विविध बैंकों या वित्तदाताओं पर प्रतिभूत b) Secured against bills of exchange or promissory notes		—	
17,400,000,000		ग) राष्ट्रीय औद्योगिक ऋण (देयताएँ परिवर्तित) निधि में से c) Out of National Industrial Credit (Long Term Operations) Fund		14,400,000,000	
		ii) भारत सरकार से From Government of India			
		क) व्याज-मुक्त ऋण a) Interest-free loan		—	
		ख) अन्य ऋण b) Other Loans			
11,462,320,331		1. डॉ. हि. संघ./विश्व बैंक ऋण पर Against IDA/World Bank Loan		10,677,366,301	
2,201,952,356		2. अन्य Others		2,017,650,045	
750,000,000		iii) अन्य स्रोतों से From Other Sources		—	
82,678,969,695		iv) विदेशी मुद्रा में In Foreign Currency	V	77,196,686,126	
114,493,242,382					104,291,702,472
58,899,720,301		7. चालू देयताएँ और प्रत्यास Current Liabilities and Provisions	VI		62,022,660,974
722,854,348,876		आकस्मिक देयताएँ Contingent Liabilities	VII		717,834,116,155

31 मार्च 2000 March 31, 2001	अस्तित्व ASSETS	अनुसूची सं. Schedule No.	₹. Rs.
112,241,886.432	आगे लाया गया Brought forward		119,024,577.832
₹. Rs.			₹. Rs.
117,241,886.432	3. ऋण और अग्रिम Loans and Advances		
38,730,274.163	i) अनुसूचित बैंकों, राज्य सहकारी बैंकों और अन्य वित्तीय संस्थाओं से (टिप्पणी (iv) अनुसूची XIII) To Scheduled Banks, State Co-operative Banks and Other Financial Institutions (Note (iv) Schedule XIII)	32,340,994.035	
468,896,682.525	ii) औद्योगिक प्रतिष्ठानों से To Industrial concerns	461,016,076.391	
507,626,956.687	4. पुनर्निर्माण/पुनर्निर्माण किए गए विनियम क्लर और खसपत्र Bills of Exchange and Promissory Notes Discounted/Rediscouted		491,357,070.426
21,114,359.840	5. परिसर (टिप्पणी (v) अनुसूची XIII) Premises (Note (v) Schedule XIII)		14,433,970.710
3,101,712.971	(लागत में से मूल्यह्रास घटकर) (At cost less depreciation)		3,020,382.263
12,825,977.835	6. अन्य अक्ल अस्तित्वां (टिप्पणी (vi) अनुसूची XIII) Other Fixed Assets (Note (vi) Schedule XIII)		13,490,355.279
772,854,348.876	(लागत में से मूल्यह्रास घटकर) (At cost less depreciation)		717,834,116.155
65,943,455.111	7. अन्य अस्तित्वां Other Assets		74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
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₹. Rs.			₹. Rs.
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38,730,274.163			32,340,994.035
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₹. Rs.			₹. Rs.
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3,101,712.971			3,020,382.263
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₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
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₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
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3,101,712.971			3,020,382.263
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65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
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65,943,455.111			74,507,759.656
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117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
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3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
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772,854,348.876			717,834,116.155
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₹. Rs.			₹. Rs.
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38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
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12,825,977.835			13,490,355.279
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65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
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₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
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3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
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3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263
12,825,977.835			13,490,355.279
772,854,348.876			717,834,116.155
65,943,455.111			74,507,759.656
₹. Rs.			₹. Rs.
117,241,886.432			119,024,577.832
38,730,274.163			32,340,994.035
468,896,682.525			461,016,076.391
507,626,956.687			491,357,070.426
21,114,359.840			14,433,970.710
3,101,712.971			3,020,382.263

आज की तारीख को हमारी रिपोर्ट के अनुसार
As per our report of even date

बोर्ड के आदेशानुसार
BY ORDER OF THE BOARD

कृते रे एंड रे
सनी लेखक
For Ray & Ray
Chartered Accountants
साझेदार : अनिल वी. कर्निक
Partner : Anil V. Karnik

एच. डे. डोडा H. D. Doda प्रबंधक निदेशक Executive Director	एस. के. चक्रवर्ती S.K. Chakrabarti अध्यक्ष एवं प्रबंध निदेशक (सहकारी) Chairman & Managing Director (A/c.)	आर.एन. धूत R.N. Dhoot निदेशक Director
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कृते जी. पी. कपाडिया एंड कंपनी
समर्थ लेखाकार
For G.P. Kapadia & Co.
Chartered Accountants
सामेयर : अतुल बी. देसाई
Partner : Atul B. Desai

के. नरसिम्हा मूर्ति
K. Narasimha Murthy

मुंबई, २८ मई २००१
Mumbai, May 28, 2001

ANNEXURE-V

Consolidated Profit and Loss Account for the year ended March 31, 2002

Consolidated Profit and Loss Account for the year ended March 31, 2002			
व्यय EXPENDITURE		31 मार्च 2002 March 31, 2002	₹. Rs.
अनुसूची सं. Schedule No.		₹. Rs.	₹. Rs.
1.	जमा राशियों, उधार राशियों आदि पर प्रदात व्याज Interest paid on Deposits, Borrowings, etc.	6695,70,75,707	
2.	स्थापना व्यय Establishment Expenses	161,22,49,148	
3.	निदेशकों और कार्यपालक समिति के सदस्यों की फीस और व्यय Directors' & Executive Committee Members' fees and Expenses	29,54,183	
4.	लेखा परीक्षकों की फीस Auditors' Fees	34,01,750	
5.	किराया, कर, बीमा, प्रकाश व्यवस्था आदि Rent, Taxes, Insurance, Lighting, etc.	51,08,88,501	
6.	विधि प्रभार Law Charges	4,06,91,085	
7.	डाक व्यय, तार और टिकट Postage, Telegrams & Stamps	11,21,90,607	
8.	सेखर सामग्री, मुद्रण, विज्ञापन आदि Stationery, Printing, Advertisement, etc.	18,13,62,600	
9.	अशोध्य एवं संदिग्ध ऋणों के लिए त्वरित बट्टे खाते में डाली गई राशि Accelerated write-off of bad and doubtful debts घटाए : आकर अंशनिर्माण, 1961 की धारा 361(VIII) के अंतर्गत विशेष रिजर्व से आहरण Less : Withdrawn from Special Reserve u/s 361(VIII) of I.T. Act, 1961	2500,25,63,000 2500,25,63,000	
10.	मूल्यह्रास / परिशोधन Depreciation / Amortisation	39,51,21,429	
11.	लेख पर दी गयी अस्तित्वों का मूल्यह्रास Depreciation on Leased Assets	207,57,94,627	
12.	अन्य व्यय Other Expenditure	162,69,16,492	
13.	नीचे ले जाया गया शेष लाभ Balance of Profit Carried down	813,09,77,360	
	आकर के लिए प्रावधान Provision for Income Tax	170,79,51,000	
	विनियोग लेखा में अंतरित शेष लाभ Balance of profit transferred to Appropriation Account	667,71,74,554	
		838,51,25,554	

Consolidated Profit and Loss Account for the year ended March 31, 2002			
आय INCOME		31 मार्च 2002 March 31, 2002	₹. Rs.
(वर्ष के दौरान अशोध्य एवं संदिग्ध ऋणों के प्रावधानों और अन्य आवश्यक तथा समायोजित प्रावधानों को घटाकर) (Less provisions made during the year for bad and doubtful debts and other necessary and expedient provisions)		₹. Rs.	₹. Rs.
1.	व्याज और बट्टा आदि Interest and Discount etc.	6059,91,31,372	
2.	निवेशों से आय Income from Investments	1408,21,77,188	
3.	कमीशन, ब्रोकरेज आदि Commission, Brokerage, etc.	172,87,67,971	IX
4.	निवेशों की बिक्री से निवल लाभ (जो रिजर्व में या किसी विशिष्ट निधि या खाते में जमा नहीं किया गया) Net Gain on sale of investments (not credited to Reserves or any particular fund or account)	333,38,40,207	
5.	अन्य आय Other Income	190,57,06,949	X
	नीचे ले जाया गया शेष लाभ Balance of Profit brought down	8164,96,23,687	
	आस्थगित कर आय Deferred tax income	25,41,48,192	
		813,09,77,360	
		8164,96,23,687	
		813,09,77,360	
		25,41,48,192	
		838,51,25,554	

Consolidated Balance Sheet as at March 31, 2002

आगे ले जाया गया Carried forward

Consolidated Balance Sheet as at March 31, 2002 (Contd.)

देयताएं LIABILITIES		अनुसूची सं. Schedule No.		₹. Rs.	₹. Rs.	अनुसूची सं. Schedule No.	₹. Rs.	31 मार्च 2002 March 31, 2002	अस्तित्व ASSETS	₹. Rs.	31 मार्च 2002 March 31, 2002
अग्रिम राशि / Advance Brought forward						अग्रिम राशि Brought forward					
3.	उपहार, अनुदान, चंटे और दान GIFTS, GRANTS, DONATIONS AND BENEFICIATIONS								भुनाई / पुनर्भुनाई किये गए विनिमय बिल और वचन-पत्र BILLS OF EXCHANGE AND PROMISSORY NOTES DISCOUNTED/PROMISSED		
	i) सरकार से / From Government								परिसर PREMISES		
	ii) अन्य स्रोतों से / From Other Sources								(मूल्यहास घटकर लागत पर) (At cost less depreciation)		
4.	बांड और डिबेंचर / BONDS AND DEBENTURES								अन्य अचल अस्तित्व OTHER FIXED ASSETS		
	i) बैंक 1 बांड								(मूल्यहास घटकर लागत पर) (At cost less depreciation)		
	ii) बैंक 2 बांड / From II Bonds								अन्य अस्तित्व OTHER ASSETS		
	iii) अन्य बांड और डिबेंचर								i) आस्थगित कर अस्तित्व Deferred Tax Asset		
	Other Bonds and Debentures								ii) अन्य अस्तित्व Other Assets		
5.	उपधारियां / DEPOSITS								अन्य अस्तित्व OTHER ASSETS		
6.	उधार / BORROWINGS								अन्य अस्तित्व OTHER ASSETS		
	i) भारतीय रिजर्व बैंक से								अन्य अस्तित्व OTHER ASSETS		
	From Reserve Bank of India								अन्य अस्तित्व OTHER ASSETS		
	क) सुरक्षित, निश्चित और अन्य जमा प्रमाणपत्रों पर प्रतिभूत								अन्य अस्तित्व OTHER ASSETS		
	a) Secured against stocks, funds and other trustee securities								अन्य अस्तित्व OTHER ASSETS		
	ख) विनिमय बिलों या वचन-पत्रों पर प्रतिभूत								अन्य अस्तित्व OTHER ASSETS		
	b) Secured against bills of exchange or promissory notes								अन्य अस्तित्व OTHER ASSETS		
	ग) राष्ट्रीय औद्योगिक ऋण (दीर्घकालीन परिचालन) निधि में से								अन्य अस्तित्व OTHER ASSETS		
	c) Out of National Industrial Credit (Long Term Operations) Fund								अन्य अस्तित्व OTHER ASSETS		
	घ) अन्य								अन्य अस्तित्व OTHER ASSETS		
	d) Others								अन्य अस्तित्व OTHER ASSETS		
ii)	भारत सरकार से / From Government of India								अन्य अस्तित्व OTHER ASSETS		
	क) ब्याज-मुक्त ऋण								अन्य अस्तित्व OTHER ASSETS		
	a) Interest-free loan								अन्य अस्तित्व OTHER ASSETS		
	ख) अन्य ऋण								अन्य अस्तित्व OTHER ASSETS		
	b) Other Loans								अन्य अस्तित्व OTHER ASSETS		
	1. अति सुरक्षित बैंक ऋण पर								अन्य अस्तित्व OTHER ASSETS		
	Against HDA / World Bank Loan								अन्य अस्तित्व OTHER ASSETS		
	अन्य / Others								अन्य अस्तित्व OTHER ASSETS		
	2. अन्य स्रोतों से / From Other Sources								अन्य अस्तित्व OTHER ASSETS		
	अन्य / Others								अन्य अस्तित्व OTHER ASSETS		
iv)	अन्य देयताएं / Other Current Liabilities								अन्य अस्तित्व OTHER ASSETS		
v)	अस्थगित कर देयताएं / Deferred Tax Liability								अन्य अस्तित्व OTHER ASSETS		
vi)	अन्य देयताएं / Other Liabilities								अन्य अस्तित्व OTHER ASSETS		
vii)	अल्पसंख्यक शेयरधारक हित / MINORITY INTEREST								अन्य अस्तित्व OTHER ASSETS		
viii)	आकस्मिक देयताएं / CONTINGENT LIABILITIES								अन्य अस्तित्व OTHER ASSETS		
अग्रिम राशि Brought forward						अग्रिम राशि Brought forward			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
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अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
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अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
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अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
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अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS						अन्य अस्तित्व OTHER ASSETS			अन्य अस्तित्व OTHER ASSETS		
अन्य अस्तित्व OTHER ASSETS											

Profit and Loss Account for the year ended March 31, 2003

VII

Profit and Loss Account for the year ended March 31, 2003 (Contd.)

31 मार्च 2002 March 31, 2002	31 मार्च 2003 March 31, 2003	31 मार्च 2003 March 31, 2003
₹. Rs.	₹. Rs.	₹. Rs.
EXPENDITURE	INCOME	
विनियोग	(वर्ष के दौरान अक्षेप्य एवं संचयन ऋणों के प्रत्यागों और अन्य आवश्यक तथा सम्योचित प्रत्यागों से घटकर)	
Appropriations	(Less provisions made during the year for bad and doubtful debts and other necessary and expedient provisions)	
1. आकर अधिनियम, 1961 से बचा 36(XVIII) के अंतर्गत संचित और अनुसूचित निधि से अंतरित Transferred to Special Reserve created & maintained u/s 36(XVIII) of IT Act, 1961	लाभ एवं हानि खाते से अंतरित किया गया शेष लाभ Balance of Profit transferred from Profit & Loss account	401,41,19,250
2. आईडीबीआई एडिशन (बी) निधि से अंतरित Transferred to IDBI EXIM(J) Special Fund	पिछले वर्ष से आगे लाया गया शेष लाभ Balance of Profit brought forward from last year	315,98,50,329
3. स्टाफ कल्याण निधि से अंतरित Transferred to Staff Welfare Fund		
4. निवेश घट-बढ़ निधि से अंतरित Transferred to Investment Fluctuation Reserve		
5. पूंजी निधि से अंतरित Transferred to Capital Reserve		
6. संचयनी सेपरेट पर प्रस्तावित लाभांश Proposed Dividend on Equity Shares		
7. प्रस्तावित लाभांश पर कर Tax on Proposed Dividend		
8. गुलन-संग में ले जाया गया शेष लाभ Balance of Profit carried to Balance Sheet		
315,98,50,329		
486,62,48,459		

आज की तारीख की हमारी रिपोर्ट के अनुसार
As per our report of even date

बोर्ड के अध्यक्ष
BY ORDER OF THE BOARD

चे. पी. वारा

अध्यक्ष एवं प्रबंध निदेशक
Chairman & Managing Director

के. नरसिम्ह मूर्ति
K. Narasimha Murthy

निदेशक
Director

के. सिवाप्रकाश
K. Sivaprasam

वरिष्ठ प्रबंध निदेशक
Executive Director

एम. जी. बिदे
M.G. Bhide

निदेशक
Director

एस. एन. बाहेली
S.N. Baheli

मुख्य प्रबंध निदेशक
Chief General Manager

फॉरेनर एस. इंजीनियरिंग एंड कंपनी
For Sanku S. Engineer & Co.

संयोजित लेखांक
Chartered Accountants

एन. डी. अंकलेश्वरीया
N.D. Anklesaria

साझेदार
Partner

फॉरेनर एस. इंजीनियरिंग एंड कंपनी
For Sanku S. Engineer & Co.

संयोजित लेखांक
Chartered Accountants

एस. स्वामिनथन
S. Swaminathan

साझेदार
Partner

नई दिल्ली, 7 मई 2003
New Delhi, May 7, 2003

ANNEXURE-VIII

Balance Sheet as at March 31, 2003

31 मार्च 2002 March 31, 2002	31 मार्च 2003 March 31, 2003	31 मार्च 2003 March 31, 2003	
₹. Rs.	₹. Rs.	₹. Rs.	
देयताएँ LIABILITIES		आसित ASSETS	
अनुसूची सं. Schedule No.		अनुसूची सं. Schedule No.	
1. शेयर पूंजी Share Capital		1. नकदी और बैंक शेष Cash and Bank Balances	
अधिकृत / Authorised		i) नकद शेष और भारतीय रिज़र्व बैंक में शेष	
1500,00,00,000	1500,00,00,000	Cash in hand and balances with Reserve Bank of India	
150,00,00,00,000	150,00,00,00,000	ii) भारत में अन्य बैंकों के पास शेष	
50,00,00,00,00,000	50,00,00,00,00,000	Balances with other Banks in India	
50,00,00,00,00,000	50,00,00,00,00,000	क) चालू खाते में	
2000,00,00,00,000	2000,00,00,00,000	a) On Current Account	
		ख) जमा खाते में	
		b) On Deposit Account	
652,83,04,000	652,83,04,000	iii) भारत से बाहर अन्य बैंकों के पास शेष	
		Balances with other Banks outside India	
		क) चालू खाते में	
		a) On Current Account	
		ख) जमा खाते में	
		b) On Deposit Account	
		1162,97,00,355	
2. रिज़र्व, निधिवा और अधिशेष Reserves, Funds and Surplus		2. निवेश Investments	
i) रिज़र्व निधि		VII	
3808,03,70,426	3808,03,70,426	i) केन्द्र एवं राज्य सरकारों की प्रतिभूतियों में	
		In securities of Central and State Governments	
		ii) वित्तीय संस्थाओं के स्टॉक, सेक्युरिटी, बॉन्ड एवं डिबेंचरों में	
		In stocks, shares, bonds & debentures of financial institutions	
		iii) औद्योगिक प्रतिष्ठानों के स्टॉक, सेक्युरिटी, बॉन्ड व डिबेंचरों में	
		In Stocks, shares, bonds & debentures of industrial concerns	
		10180,42,60,079	
ii) अन्य निधिवा			
		Other Funds	
		क) स्टाफ कल्याण निधि	
		a) Staff Welfare Fund	
		ख) उपार पूंजी निधि	
		b) Venture Capital Fund	
		ग) निधिगत जोखिम प्रबंध निधि	
		c) Exchange Risk Adm. Fund	
		घ) अर्थव्यवस्था विकास (ए) निधि	
		d) IDBI EXIM(J) Special Fund	
		iii) रिज़र्व	
		Reserves	
		क) शेयर प्रीमियम	
		a) Share Premium	
		ख) अक्षर अधिशेष, 1961 से धारा 36(1)(viii) के अन्तर्गत	
		b) Special Reserve under Section 36(1)(viii) of IT Act, 1961	
		ग) अक्षर अधिशेष, 1961 से धारा 36(1)(viii) के अन्तर्गत	
		c) Special Reserve created and maintained u/s 36(1)(viii) of IT Act, 1961	
		घ) पूंजी रिज़र्व	
		d) Capital Reserve	
		ङ) निम्न घट-वृद्ध रिज़र्व	
		e) Investment Fluctuation Reserve	
		iv) अधिशेष	
		Surplus	
		6042,30,80,034	
		6696,13,84,034	
		आगे से जमा राशियाँ Carried Forward	
		12447,31,03,127	
		11343,39,60,434	

March 31, 2003 (Contd.)

[illegible]

HEAD OFFICE:

IDBI Tower, WTC Complex, Cuffe Parade, Mumbai – 400005.

Tel: (0232) 22182026/221989117/22161746. Fa x: (022) 22188137, 22181155.

Grams: INDBANKIND. Website: www.idbi.com

ZONAL OFFICES

IDBI, Chennai 115, Anna Salai Saidapet, P.B. No. 1306, Chennai 600015 Tamil Nadu Tel.: (044) 22355201-16 Fax: 22355226/3346	IDBI, Gowahati G.S. Road, Guwahati 781005 Assam. Tel.: (0361) 2529520-2A Fax: 2452136	IDBI, Kolkata 44, Shakespeare Sarani, P.B. No. 16102, Kolkata 700017, West Bengal. Tel.: (033) 22476818-20 Fax: 22473593
IDBI, Mumbai IDBI Tower, 5th Floor, WTC Complex Cuffe Parade, Mumbai 400005 Maharashtra Tel.: (022) 22160696-98 Fax: 22160785	IDBI, New Delhi Indian Red Cross Society Bldg. 1, Red Cross Road, P.B. No. 231, New Delhi 110001 Tel.: (011) 23716181-84 23711733, 23725480-81 Fax: 23711664/23718074	

BRANCH OFFICES

IDBI, Agartala Chapala Villa Near Circuit House, Airport Road, Kunjaban P.O., Agartala 799006, Tripura. (0381) Tel. & Fax: 2324986	IDBI, Bangalore IDBI House, 58, Mission Road, Bangalore 560027, Karnataka. Tel.: (080) 2245047/8 2275442/2225442/2272 869/2274840/2211335 Fax: 2215194/2213166	IDBI, Chandigarh S.C.O. 72-73, Sector 17-B, P.B. No. 27, Chandigarh 160017 Tel.: (0172) 2709689/2702781 Fax: 2703409	IDBI, Dimapur Leirauki, 1st Floor, Khermahal Junction, P.B. No. 173, Dimapur 797112. Nagaland. Tel. & Fax: (03862) 225715
IDBI, Ahmedabad IDBI, Complex, Nr. Lal Bungalow, Off CG Road. Ahmedabad 380006, Gujarat. (079) Tel.: 26563911/4994/4149 26565301/822/849/896 Fax: 26400814	IDBI, Bhopal 6, Malviya Nagar, Opp. Raj Bhavan, Adj. to LIC, Bhopal 462003, Madhya Pradesh. Tel.: (0755) 2558415/ 2555008/2762399 Fax: 2554921/2220563	IDBI, Chennai 115, Anna Salai Saidapet, P.B. No. 1306, Chennai 600015. Tamil Nadu. Tel.: (044) 22355201-16 Fax: 22355226/3346	IDBI, Hyderabad D. No. 5-9-89/1&2, Chapel Road, P.B. No. 370, Hyderabad 500001. Andhra Pradesh. Tel.: (040) 23236846/ 5466/6145/4610/32408 41 Fax: 23230613
IDBI, Aizwal P.U. Vaivenga Bldg., Tuikhuahlang, Aizwal 796001, Mizoram (0389) Tel. & Fax No. 2325791	IDBI, Bhubaneswar IDBI House, Janapath, P.B. No. 190, Bhubaneswar 751022, Orissa. Tel: (0674) 2542196/ 2542572, 2543243 Fax: 2543442	IDBI, Coimbatore Stock Exchange Bldg., 683-686, Tirhcy Road, Coimbatore 641005. Tamil Nadu. Tel.: (0422) 2310262/67 Fax: 2310257	IDBI, Indore 2nd Floor, Chaturvedi Mansion, 26/4, Old Palasia, Agra- Mumbai Road, Indore 452001 Madhya Pradesh. Tel.: (0731) 2563496/2561898 Fax: 2563496
IDBI, Itanagar VIP Road, Bank Tinali,	IDBI, Ludhiana B-19-110/4 2nd Floor, 203,	IDBI, Panaji EDC House,	IDBI, Shimla Jeevan Jyoti, Lala Lajpat Rai

<p>Shillong 791111 Arunachal Pradesh. Tel. & Fax:) 2211436</p>	<p>Carnival Shopping Centre, Mall Road, Ludhiana 141001. Punjab. Tel: (0161) 2407436/6541 Fax: 2406541</p>	<p>6th Floor, Dr. Atmaram Borkar Road, Panaji, 403 001. Goa Tel.: (0832) 2223112/1453. Fax: 2223401</p>	<p>Chowk, The Mall, P.B. no. 52, Shimla 171001 Himachal Pradesh Tel.: (0177) 258999 Fax: 254169</p>
<p>IDBI, Jaipur Anand Bhavan, 1st Floor, Sansar Chandra Road, P.B. No. 22, Jaipur 302001 Rajasthan. Tel.: (0141) 2360581-82/83 Fax: 2372830</p>	<p>IDBI, Mangalore 3rd Floor, Siddarth Bldg., Bal Matta Road, Mangalore 575001. Karnataka. Tel.: (0824) 2444952. Fax: 2447029</p>	<p>IDBI, Patna Maurya Centre, 1 Fraser Road, P.B. No. 183, Patna 80001. Bihar Tel. Nos: (0612) 2223797/ 2225676/5535/22304 50 Fax: 2220758</p>	<p>IDBI, Surat 302, Meridian Tower, 3rd Floor, Nr. Rajkumar Theatre, Udhna Darwaja, Ring Road, Surat 395003 Gujarat. Tel.: (0261) 28342890/ 28348040 Fax: 28342890</p>
<p>IDBI, Jammu Office Block No. O.B. 26, Grid Bhavan, 1st Floor, Rail Head Complex, Jammu - 180012. J & K Tel.: (0191) 2474337 Fax: 2474338</p>	<p>IDBI, Meerut 222-225, Citi Centre, 2nd Floor, Begum Bridge Road, Meerut 250001. Uttar Pradesh. Tel. & Fax (0121) 2528970</p>	<p>IDBI, Pune IDBI House F.C. Road, Dnyaneshwar Paduka Chowk, Shivajinagar, Pune: 411004 Maharashtra Tel.: (020) 5677481- 5 Fax: 5676132</p>	<p>IDBI, Varanasi 1st Floor D-64/132-K Anant Complex, Sagra, Varanasi 221010 Uttar Pradesh Tel.: (0542) 2224023/4083 Fax: 2224023</p>
<p>IDBI, Kanpur Virendra Smriti, 2nd Floor, 15/54-B Civi Lines, Kanpur 208001. Uttar Pradesh. Tel.: (0512) 2304232/ 2304380 2306866, 2306915 Fax: 2304286</p>	<p>IDBI, Mumbai IDBI Tower, 5th Floor, WTC Complex, Cuffe Parade, Mumbai 400005. Maharashtra Tel.: (022) 22160696-98 Fax: 221660785</p>	<p>IDBI, Rajkot 201, 235, 236, Star Chamber 1st Floor, Dr. Rajendra Prasad Road, Rajkot 360001. Gujarat Tel.: (0281) 2234904 Fax: 2233453</p>	<p>IDBI, Vijaywada 3A, Alankar Complex, 3rd Floor, Gandhi Nagar, Vijaywada 520003. Andhra Pradesh. Tel & Fax: (0866) 2571025.</p>
<p>IDBI Kochi Panampilly Nagar, P.B. No. 4253, Kochi 682036 Kerala Tel.: (0484) 2318889, 23221571/168, 2312964 Fax: 2319042</p>	<p>IDBI, Nagpur F-1, 1st Floor, Vasant Vihar Complex, 6, Shankar Nagar, West High Court Road, Nagpur 440 010. Maharashtra Tel: (0712) 2536505 Fax: 2547668</p>	<p>IDBI, Ranchi Arjan Place, 1st Floor, 5 Main Road, Ranchi 834001. Bihar. Tel. (0651) 2300357/ 2208655 Fax: (0651) 2300357</p>	<p>IDBI, Visakhapatnam 13-26-2, 1st Floor, Apuroopa Arcade, Jagadamba Centre, Visakhapatnam 530002. Andhra Pradesh Tel.: (0891) 2565067 Fax : 2565267</p>
<p>IDBI, Kolkata 44, Shakespeare Sarani, P.B. No. 16102, Kolkata 700017. West Bengal. Tel. (033) 22807924, 22478834 Fax: 2475094</p>	<p>IDBI, New Delhi Indian Red Cross Soc. Bldg. 1, Red Cross Road, P.B. No. 231, New Delhi 110001 Tel.: (011) 23716181-84 23711733, 23725 480-81 Fax: 23711664/80474</p>	<p>IDBI, Shillong Sapphire House, Don Bosco Road, Laitumkrah, P.B.NO. 31, Shillong 793003 Meghalaya. Tel. & Fax: (0364) 2224632</p>	